FINANCIAL TIMES

EUROPE'S BUSINESS NEWSPAPER

No. 30,143 Monday January 26 1987 D 8523 B

Unsinkable Haughey has power in his sights, Page 2

World news | Business summary

Iraqis 'repelling Iranian attacks'

The Iraqi high command said two Iranian attacks had been repelled in fighting on the southern Gulf war front and that its forces held the upper hand on the battlefield east of Basra, Iraq's second largest city.

Iranian anti-aircraft units shot down three Iraqi jets over the central war front where the Iranian army is engaged in a limited offensive against Iraq's Second Army Corps, Tehran Radio reported.

Iran war council member Dr Kamal Kharzi issued a thinly veiled threat of reprisals against Kuwait if it continued to support Iraq in the war. Page 2

Conservatives lead

The Conservatives have an eight-point lead over the UK's Labour opposition and are back at the level of support which won them a landslide victory in 1983, according to an opinion poll published yesterday. Page 4

Politburo clear-out

Soviet leader Mikhail Gorbachev is likely to complete his clear-out of Politburo members linked to the rule of the late Leonid Brezhnev this week. Page 2

Border war fears

India and Pakistan started moves to defuse growing fears that they were about to begin armed hostilities following the border confrontation between their troops. Page 2

Jews 'barred'

Fifteen Soviet Jews married to Swedish citizens and granted exit visas by Moscow, have been denied entry to Sweden on the grounds that they have insufficient links with the country, Swedish radio reported.

Anti-Israeli unrest

A suspected Palestinian guerrilla threw a petrol bomb at Israeli paramilitary police in occupied Gaza but caused no injuries. State radio said the incident was part of protests against the expulsion of Mohammed Yousef Dahlaan, suspected of leading a guerrilla youth movement in Gaza.

African aid fund

Nine member nations of the Non-Aligned Movement headed by India pledged aid to help black southern African countries reduce their dependence upon South Africa.

Chinese student held

A student in Tianjin China was arrested for allegedly passing intelligence material to Peking-based American Law rence MacDonald, a reporter with the French news agency Agence France Presse. Page 2

Cargo ship capsizes

The captain of the Danish cargo ship Norland Saga was missing after the vessel capsized off Spain's northwestern coast. Five crew members were rescued by a Greek cargo ship.

Mudslide kills 15

At least 15 villagers died and 45 were injured when a mudslide caused by a burst dam destroyed nearly 50 homes in the Andean town of Chuschi, Peru, the national civil defence board said.

Tanker blaze

A loaded Greek tanker was ablaze and leaking burning fuel off the Belgian and Dutch coast after it was in collision with a Liberian-registered vessel in fog.

Tribal murders

Tribal rebels killed five people, including a woman and three children, in separatist violence in the north-east Indian state of Tripura.

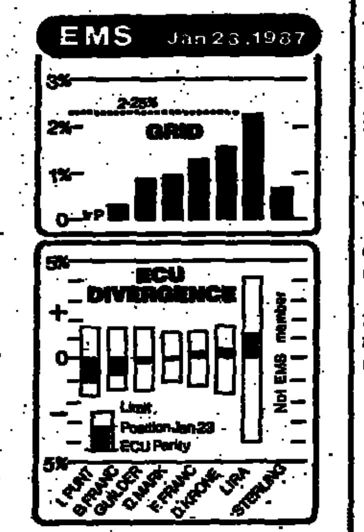
Relief team missing

Ten French aid workers were kidnapped by armed men at a refugee camp in northern Somalia late on Friday, the relief organisation Medecins Sans Frontieres said Page 3

First City plunges $402m into loss

FIRST CITY Bancorporation of Texas, one of the biggest Texas banks and one of the financial institutions most badly hit by the collapse in world oil prices over the past year, lost $402m in 1986 and is urgently seeking an injection of capital. Page 17

EUROPEAN Monetary System: Most currencies showed little change from the previous week. Attention remained focused on the dollar which moved erratically against the D-Mark during the week. A cut in the West German discount rate failed to have an immediate effect and the dollar still looked weak. French and Dutch interest rates were left unchanged. Short term Treasury bill rates were cut in Belgium but the discount rate was left alone. The Irish punt was the weakest member, trading at 48 per cent of its maximum divergence compared with 42 per cent the week before.



The chart shows the two constraints on European Monetary System exchange rates. The upper grid, based on the weakest currency in the system, defines the cross-rates from which no currency (except the lira) may move more than 2¼ per cent. The lower chart gives each currency's divergence from its "central rate" against the European Currency Unit (ECU), itself a basket of European currencies.

TWO UK pension funds have been told they face legal proceedings in Australia concerning allegedly illicit dealings in shares of APA, Australian insurance and investment group. Page 20

BOEING, largest jet aircraft manufacturer, is to meet airlines about its revised plans for advanced technology airlines. Page 3

BONDERNES Bank, Westlandsbanken and Forretningsbanken, all of Norway, plan to merge to increase competitiveness with the country's big three commercial banks. Page 20

FRENCH investment bankers and brokers say they have been asked by the French Finance Ministry not to issue grey market quotes on Reuter screens for the public share offering of Paribas, French investment bank.

TEXAS Instruments, US semiconductor and electronics manufacturer, reported net income of $29.1m, or 71 cents a share, for 1986 in contrast to losses of $118.5m, or $4.76 a share, in 1985. Page 20

HOME SHOPPING Network, US pioneer of selling cheap goods by television, has become potentially the country's third biggest bank following its agreed bid for Baltimore Federal Financial, savings and loan institution, for $40m. Page 17

OERLIKON-BÜHRLE, Swiss industrial conglomerate, expects to record a net group loss for 1986 and has already decided to recommend passing a dividend for the year. Page 20

PARRY, Australian conglomerate headed by Mr Kevin Parry, is to sign a $50m contract to build a broadcasting complex in Peking. Page 2

GENERAL MOTORS, largest US car maker, shelved a $180m plan to produce continuously variable transmissions in France, blaming unreliable components. Page 16

Greens and Free Democrats weaken Conservative victory

Kohl wins German election with a reduced majority

BY DAVID MARSH IN BONN

MR HELMUT KOHL, the West German Chancellor, pulled off a narrower than expected victory in yesterday's general election and emerged considerably weakened within the ruling centre-right coalition.

The country's conservative majority was cut sharply compared with the last parliamentary elections in 1983 amid a strong trend towards both the Free Democratic Party (FDP), the junior party in the coalition, and the anti-nuclear Greens ecology grouping.

The country is set for four more years of centre-right coalition government led by Mr Kohl's Christian Democtatic Union (CDU). But with the conservative parties' share of the vote falling to the lowest since the federal republic's first elections in 1949, Mr Kohl acknowledged last night that he had faced a clear setback.

The lower-than-forecast margin of success for the CDU and its Bavarian sister party, the Christian Social Union (CSU), was partly a consequence of bitter pre-election coalition in-fighting.

It heralds tension and disagreement in Mr Kohl's governing team as a new cabinet is put together during the next month.

State of West German Parties

	Yesterday's voting* %	Yesterday's voting* seats	1983 election %	1983 election seats
CDU/CSU	43.7	221	48.8	244
SPD	37.7	190	38.2	191
FDP	8.8	45	7.0	34
Greens	8.3	42	5.6	27
Others	1.4	–	0.4	–

** Provisional computer projections*

The opposition Social Democratic Party (SPD), campaigning under Mr Johannes Rau, Prime Minister of North-Rhine Westphalia, looked to have done rather better than some of the more gloomy recent predictions.

The SPD's result was its worst since 1961, throwing considerable doubts over its future direction and leadership.

The major loser in last night's result seems to have been Mr Franz Josef Strauss, the 71-year-old Bavarian Prime Minister and leader of the CSU.

Mr Strauss's vigorous sniping against the FDP and his campaign to return to Bonn as Foreign Minister has clearly failed. Mr Kohl last night delivered a powerful, though indirect, rebuke to Mr Strauss. Declaring that the conservative parties had fallen short of their electoral goal of 48 per cent of the votes, he said disagreement within the coalition had "certainly" harmed the overall result.

According to computer projections from the two main TV stations last night, the CDU together with the CSU registered about 43.7 per cent of the vote, two to three points below all last week's leading opinion poll predictions, against 48.8 per cent in 1983.

The SPD scored 37.7 per cent against 38.2 per cent in 1983, with the FDP rising 8.8 per cent from 7.0 per cent and the Greens registering 8.3 per cent (5.6 per cent).

These parties will remain the only ones in the federal parliament.

Minority parties which failed to pass the 5 per cent level needed to enter the Bundestag, including the far right, seemed to have picked up support since 1983.

A major factor behind the CDU-CSU losses appeared to have been a sharp drop in the turnout compared with 89.1 per cent of the electorate who voted in 1983.

FDP leaders last night were quietly jubilant that the party – which has kept the balance of power in Bonn during fluctuating coalitions for all but three of the last 25 years – had emerged strengthened as the country's third political force.

Although Mr Kohl last night played down the idea, it seems probable that coalition negotiations – generally expected to be finished by the beginning of March – could be difficult, with the FDP wanting more control over Government policy than hitherto.

With the FDP coming out in favour of bringing forward tax cuts to boost fading economic growth, the Government faces a tough fight to keep a grip on economic policy during the next few weeks.

With economic pressures intensifying because of fierce upward pressure on the D-Mark, and Mr Kohl's administration facing fresh tests over the continuing hostages imbroglio in Beirut, the immediate post-election period could bring considerable strains for the Chancellor.

Editorial comment, Page 14

On the road to victory: Chancellor Helmut Kohl casts his vote in Oggersheim, W Germany, yesterday.

Greens success poses dilemma

BY HAIG SIMONIAN AND DAVID MARSH IN BONN

AMID the carnival atmosphere of the Greens' celebration party in a disused ceramics factory warehouse last night, the uneasy question was working its way to the surface – where do the Greens go from here?

The Greens scored more than 8 per cent of the votes in yesterday's election – closely in line with pre-election forecasts and well ahead of their previous 5.6 per cent in 1983.

Although they failed to top the 10 per cent mark which would have turned the party into the clear third largest force in West German politics, the ecology grouping will be a power to be reckoned with in coming months.

The outcome was greeted enthusiastically at the rally. "It was a fantastic result," said Mrs Jutta Ditfurth, the party's main spokesperson. Mrs Antje Vollmer, another of the party's leading members, said it was a "considerable historical success" that the Greens – who made their parliamentary debut in 1983 – would once again be represented in the Bundestag.

Now all they have to do is to decide what to do with a show of popularity which, on yesterday's showing, gives them support among more than 3m voters.

The Greens party conference at the end of September in Nuremberg voted in favour of co-operation with the SPD in its challenge to Mr Kohl's Government.

Even though Mr Johannes Rau, last night's defeated SPD candidate for the chancellorship, has refused to have any truck with the Greens, the possibility of an alliance will now again come to the surface.

At last night's party, however, all thoughts of strategies and parliamentary alliances were banished to some distant point in the future.

Against the background of ear-splitting rock music, the crowds of mainly young people thronging the white-tiled warehouse-turned-discotheque clearly were in a mood to celebrate victory.

The Greens seemed to have reaped the benefit of a national mood against extremist policies. To enthusiastic cheering, Mrs Ditfurth – who clashed frequently with Mr Franz Josef Strauss, leader of the Bavarian Christian Social Union (CSU) in a noisy pre-election TV debate – spoke out fiercely last night against the "new nationalism" which some elements on the right have been touting. Last night, the Greens were on a crest of resounding cheers as each of their leaders stepped up to face the throngs of TV cameras.

But now the party, a loose grouping of anti-nuclear protesters, ideological ecologists and left-wingers unhappy with any of the established German groupings, may face the trials or success. It will have to try once more to bang its various heads together to come up with more coherent policies that will guarantee it a continued place beneath the TV lights in four years' time.

Reagan urged to stand firm on new Beirut hostage crisis

BY STEWART FLEMING IN WASHINGTON

KIDNAPPERS in Beirut yesterday threatened to kill one of three Americans seized at the weekend, posing a fresh challenge to the Reagan Administration already reeling from the disclosures surrounding its arms for hostages deal with Iran.

Four men, three US professors and an Indian academic with US residency, were seized from Beirut University College on Saturday by kidnappers posing as members of Lebanon's internal security forces.

The timing of the incident on the eve of President Reagan's state of the Union Address tomorrow only adds to his difficulties. He is under fire for allowing his Government to flounder in the face of the Iran arms scandal.

The kidnappers, claiming to be members of the Organisation for the Oppressed on Earth, have linked the taking of the four hostages with the release from West Germany of Mr Mohammed Ali Hamadeh, a suspected Shia Moslem terrorist whose extradition is being sought by the US for trial on charges of hijacking a TWA airliner in 1985.

Two West Germans have been seized in Beirut since Mr Hamadeh's capture at Frankfurt airport earlier this month.

Mr Reagan was urged yesterday to take a firm stand against negotiating for the release of the hostages and to be prepared ultimately to use military force if links can be established between the kidnappers and any government.

Senator Claiborne Pell, the newly installed Democratic chairman of the Senate Foreign Relations Committee, said on US television that the US had "the justification to send military forces (into the Lebanon) now but I would not advise it."

He added: "I do not envy the President the situation he is in now." He said if a link between the terrorists and a government could be established the US "should go after the Government" if necessary "with a military response."

Senator Pell also warned that the US should be prepared for acts of terrorist violence on its territory if the terrorist held in Germany was extradited to the US as Washington wished. But he stressed that the Reagan Administration should nevertheless continue to press for his extradition.

In its first reaction to the seizure, the White House gave no indication of how it would respond, saying only: "We hold these gunmen responsible for these hostages and call for their immediate release."

Over the past week, Administration officials have urged American citizens in the Lebanon, who are not connected to the US Embassy, to leave Beirut.

The confusion in the Administration over the Iran arms scandal has been underscored by disclosures that on December 6, even as Mr Reagan was telling the American people that the discussions with Iran had been severed, CIA officials were meeting with Reagan representatives in Europe to the dismay of Secretary of State Mr George Shultz who was not aware of the meeting.

There are also reports that Mr Shultz believed that, at the Tokyo economic summit last year where the seven major industrial countries were seeking to establish a co-ordinated position on anti-terrorism, he was misled by Mr Donald Regan, the White House Chief of Staff, about the dealings.

Iran threatens Kuwait, Page 2

G5 poised to meet over dollar decline

BY IAN RODGER IN TOKYO AND PHILIP STEPHENS IN LONDON

JAPAN and the US have agreed that there should be an early meeting of finance ministers and central bank governors of the Group of Five industrial nations, Mr Kiichi Miyazawa, the Japanese Finance Minister, said this weekend.

The proposed meeting, which would focus on the dollar's recent decline would take place in Paris. Japanese officials were reported in Tokyo as saying it could be held as soon as February 7 if the three European members of the Group – West Germany, France and Britain – agreed.

It appeared yesterday, however, that the details of any such talks have yet to be settled. At least one of the main European central banks had not received notification of the plan for an early meeting.

If they do meet, the Five will have to tread carefully to avoid offending Italy and Canada, which expect to be brought in to substantive discussions on the international monetary system as members of the Group of Seven. Italy, which is hosting this year's World Economic Summit, is particularly sensitive about being excluded from such meetings.

Mr Miyazawa's comments followed his return from Washington where he met Mr James Baker, the US Treasury Secretary, in an attempt to secure an agreement to stabilise the value of the dollar.

Mr Baker said on television yesterday: "We have an agreement with the Government of Japan which we have been honouring and intend to continue to honour." But he hinted that Washington was still dissatisfied with West Germany's and Japan's reluctance to take stronger steps to stimulate their economies, even after last week's decisions by both countries to cut their discount rates.

"I am certainly pleased with what has been done. But if you are asking me could they do more, maybe they could, but maybe we could do more on our budget deficit... That is what they want us to do," he said.

On the dollar, Mr Baker confirmed reports that he believed that what he described yesterday as "the orderly and moderate decline of the dollar over the past 1½ years" had been a good thing for American business. "I have not seen the dollar in free fall," he said, but he stressed: "I do not want this (statement) to be interpreted as talking the dollar down."

In what appeared to be an effort to reassure the financial markets about US policy on the dollar, Mr Baker also said that the US recognised that "there can be problems if the dollar should fall too far too fast," citing a resurgence of inflation and possible difficulties in financing US debt.

The US-Japan talks, and the decision by the West German Bundesbank to cut its discount rate, brought a temporary respite for the dollar on Friday, but did little to

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US-EEC 'closer' to deal on grain sales

BY QUENTIN PEEL IN BRUSSELS AND NANCY DUNNE IN WASHINGTON

PROSPECTS for a settlement in the long-running EEC-US trade dispute over grain sales improved at the weekend after top-level talks in Washington. However, only five days remain to finalise a deal before hostilities are due to break out.

Negotiators admitted after the talks that the two sides were closer to agreement. However, they continued to insist that it would be difficult to close the gap before the end of the week. They have to agree on compensation for $400m in lost US maize and sorghum sales to Spain.

EEC Foreign Ministers must decide today whether they can improve their offer sufficiently to satisfy Washington. In addition officials said, the US Administration would have to agree to tone down its demands.

"We are getting closer, but we are not yet at the same place," Mr Willy de Clercq, the European commissioner responsible for trade, said on his return to Brussels yesterday. "If we want to have a compromise solution, it is impossible that one party alone makes a move."

Mr Frans Andriessen, the EEC agriculture commissioner who jointly headed the team, said: "There is no agreement yet, but we will continue. This must be solved, one way or another."

The US is committed to imposing swingeing tariffs of up to 200 per cent on European exports such as

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INTERVIEW

John Smith, UK Opposition Trade spokesman, talks to Geoffrey Owen and Peter Riddell, Page 10

Top Iran official threatens Kuwait with reprisals

BY TONY WALKER IN AHWAZ, SOUTHERN IRAN

A SENIOR Iranian official yesterday warned Kuwait to end its support of Iraq in the Gulf War or face unspecified consequences.

Dr Kamal Kharazi, a member of Iran's supreme war council, issued a thinly-veiled threat of reprisals against Kuwait on the eve of a summit conference of Islamic heads of state to be held in the Gulf Emirates.

Iran, which is boycotting the meeting, has demanded that the Islamic Conference Organisation sessions should be moved to another venue on the grounds "that Kuwait has not remained neutral in the Gulf war.

Briefing reporters at Ahwaz near the Gulf war front, Dr Kharazi described Kuwait's support of Iraq as "deplorable" and charged that the Kuwaitis were in the hands of the Iraqi regime.

Dr Kharazi's criticism of Kuwait coincided with reports of a shell having been fired at an island near the Kuwaiti coast. Three small bombs exploded simultaneously at Kuwaiti oil installations on January 19 and a car was damaged in another attack on Saturday.

Iran claims that Kuwait allows Iraq to use its airspace to launch attacks against Iranian targets. The Iranians are also unhappy about Kuwaiti ports being used to tranship goods to Iraq whose own ports were destroyed early in the six-and-a-half-year war.

The Kuwaiti Government is extremely nervous about Iranian threats. At the head of the Gulf, it is the most vulnerable of the small Gulf states to pressure from both Iran and Iraq.

It has supported Iraq since the onset of the war, providing billions of dollars to help fund the Iraqi defensive effort. Kuwait and Saudi Arabia have been Iraq's two principal supporters.

In the past year, however, Saudi Arabia has improved its relations with Iran, even providing refined petroleum products to help make up for an Iranian shortfall after Iraqi air attacks on Iran's refineries.

The 46-member Islamic Conference Organisation summit will be preoccupied with the continued fighting in the Gulf war which is seen as a serious threat to the stability of the entire region.

Moderate Arab states such as Egypt and Jordan fear an Iranian victory over Iraq because this would encourage the spread of militant Islam throughout the Middle East.

President Hosni Mubarak of Egypt, who was the first head of state to arrive in Kuwait, is, together with Jordan, among Iraq's main supporters. They provide arms and ammunition and Egypt has also sent advisers

Islamic foreign ministers were last night still seeking to agree on an agenda for the summit. In addition to the Gulf war, they will also be considering the Arab-Israel dispute, the Soviet occupation of Afghanistan and the fighting in Chad. Several Arab delegations fear that most of the disputes are too deep-seated for there to be much chance of the summit arriving at unanimous recommendations.

Alliance of African oil countries formed

BY VICTOR MALLET IN LAGOS

OIL MINISTERS and delegates from nine African oil-producing countries meet in the Nigerian capital, Lagos, today to inaugurate the African Petroleum Producers' Association, an alliance that has worried some Arab producers but has been dismissed by big oil companies as a talking shop.

The association is the idea of Nigeria, Africa's largest oil producer, which sees itself as playing a leading political and economic role in the continent. It will include four members of the Organisation of Petroleum Exporting Countries — Nigeria, Algeria, Libya and Gabon—as well as Angola, Benin, Caberoun, Congo and Egypt.

The four Opec members are to produce nearly 19 per cent of Opec's official limited output of 15.8m barrels a day in the first half of 1987 to try to stabilise prices.

Nigeria, whose Oil Minister, Mr Rilwanu Lukman, is president of Opec, rejects accusations that the association will undermine Opec and believes it will help to bring non-Opec African producers, such as Angola, into line with Opec policies.

Saudi Arabia is said to have expressed concern about the association, but Nigeria has pointed out that other Opec countries already belong to regional groups, such as the Organisation of Arab Petroleum Exporting Countries and the Latin American oil organisations, Olade.

Oil company executives and Western diplomats in Lagos regard the association's founding as a political, rather than an economic, event.

Max Wilkinson, Resources Editor adds: The association is unlikely to make a big difference to Opec politics. However, bigger producers such as Nigeria may hope that some of the smaller non-Opec countries are drawn into the strategy for preventing a new collapse of oil prices

Egypt has already pledged to make some small cuts in output to match Opec's cut agreed last December.

There already exists within Opec a Gulf Co-operation Council for the moderate Gulf states, led by Saudi Arabia and Kuwait, and there have been indications recently that several Latin American oil producers feel they have more in common with each other than with producers elsewhere.

Heth to head Bank Leumi

BY ANDREW WHITLEY IN TEL AVIV

DR MEIR HETH, a former head of the Tel Aviv stock exchange forced to resign over a bank shares-manipulation scandal, was appointed yesterday as chairman of Bank Leumi Le-Israel, the country's leading bank.

The 54-year-old, Harvard-educated lawyer succeeds Mr Eli Hurvitz, who stepped down last week, together with the remaining board members, after only seven months in the post. The board accepted blame for providing a handsome "golden handshake" to Mr Ernest Japhet, its long serving ex-chairman, after strong public criticism.

Despite his own part in the run-up to the 1983 bank shares crisis, Dr Heth — a former government examiner of banks — was known to be the Bank of Israel's favoured candidate to take over at Bank Leumi. Morale at the bank has been badly battered by a string of scandals over the past year. However, his appointment has been criticised by unions and left-wing newspapers.

Brazil to impose wage and prices plan

By Ivo Dawnay in Rio de Janeiro

BRAZIL WILL this week impose a prices and wages package after the failure of negotiations to win agreement on a social pact between employers and unions.

Among the measures expected are a big increase in minimum salaries, the maintenance of inflation indexing of wages and a gradual upward adjustment of prices with no new price freeze.

Senior civil servants and ministers worked through the weekend to prepare the package, the third since the anti-inflationary, price-freezing Cruzado Plan last February.

But lengthy consultations have done little to relieve the mounting sense of crisis and uncertainty pervading the country

After a week of tripartite discussions, employers and unions appeared further apart than ever. While the employers are seeking a rapid return to free pricing and wage negotiations, the unions have toughened their position, demanding a five-fold increase in the cruzados 804 (£33) monthly minimum wage and maintenance of automatic salary rises each time inflation rises 20 per cent.

At the end of the talks, Mr Almir Pazzianotto, the Labour Minister, was reported as warning that the country was now "at the very brink of economic collapse."

Adding to the general uncertainty were fresh claims in newspapers at the weekend that Mr Fernao Bracher, president of the Central Bank, is about to be replaced. Several papers claimed that Mr Dilson Funare, the Finance Minister, had sounded out Mr Karlos Rischbieter, a former Finance Minister, over the Central Bank job.

Leaks from Brasilia suggest that the package represents a big defeat for Mr Fusare, who had originally argued for a rapid price realignment folowed by a new freeze. Instead, President Jose Sarney looks set to take up the proposal of Mr Joao Sayad, the Planning Minister, who supports a gradual end to price controls.

Both ministers appear to have lost, however, over the so-called gatilmo, or pay rise trigger, which they had wanted to abandon as highly inflationary.

Low-paid workers also look set to win a big increase in the minimum salary, possibly to about Cz 1,500, or as much as 50 per cent.

Price rises, possibly up to a ceiling of 25 per cent, are expected to be introduced gradually in consultations between industry and the Government, with sectors where bottlenecks are halting output getting highest priority.

Argentine 'dirty war' general arrested in US

By Tim Coone in Buenos Aires

ONE OF the leading figures of Argentina's "dirty war" in the 1970s, Gen Carlos Suarez Mason, who has been a fugitive for the past three years, was arrested in California at the weekend.

His arrest followed recent reports of sightings of him in Miami, which led to a renewed request for his arrest and extradition being issued last week by the Argentinian authorities to the US Government.

Gen Suarez Mason was one of the leading proponents of the violent repressive campaign carried out in Argentina following the 1976 military coup, which left almost 9,000 people officially listed as "disappeared."

Fianna Fail's leader has made a remarkable political recovery, writes Hugh Carnegy

Unsinkable Haughey has power in his sights

DR CONOR CRUISE O'BRIEN, the academic, journalist and former government minister, once wrote that if he saw Mr Charles Haughey staked through the heart at a crossroads at midnight, he would still carry a clove of garlic of safety's sake.

The comment encapsulated two features of the controversial career of Mr Haughey, the leader of Fianna Fail, Ireland's biggest political party: he evokes unusually bitter and personal attacks from his opponents but, to their exasperation, he has time and again risen from the political dead.

Given the violent leaps and lurches of his career, it is remarkable that Mr Haughey, now 61, is leading Fianna Fail into the campaign for the general election on February 17 from an unchallenged position within the party. According to the opinion polls, he has a good chance of emerging as Taoiseach (Prime Minister) for the third time.

The ride back into office, in keeping with his past, will not be a smooth one, however. A sure feature of the election, and one upon which the result could yet turn, is what is known in Dublin as "the Charlie factor."

Dr Garret FitzGerald, the present Taoiseach, and his colleagues in the Fine Gael party, never miss a chance to exploit it. They accuse Mr Haughey of reckless mismanagement of the economy in the past and cast aspersions on his fitness to govern.

The first charge concentrates on Mr Haughey's records as a minister in, and later leader of, the Fianna Fail Government of 1977-1981. During that period, many of the seeds of Ireland's crippling debt burden were sown as swelling public sector spending led to increasing borrowing. A brief minority Fianna Fail Government in 1982 was committed to controlling the public finances. But Mr Haughey's ambiguous statements on the subject allowed Fine Gael to persuade many of the electorate of the need for a tougher approach and a Fine Gael-Labour coalition won office in late 1982.

Mr Haughey: target of bitter personal attacks by his political opponents

Borrowing and budget deficits have mounted further under the coalition. But Dr Fitzgerald is still claiming the so-called economic high ground by proposing tough fiscal medicine.

Mr Haughey's clearest statement to date in the present campaign was made to a recent Fianna Fail business conference. "Prudent management of the public finances and firm control of expenditure and borrowing levels will be necessary for a number of years, but it would be fatal to focus exclusively on the financial figures . . . we must integrate financial control into a policy of development of the economy," he said.

That may sound sensible. After all, Mr Haughey can claim that, in the late 1960s, he was the last Finance Minister to preside over a balanced budget. But conditions are very different today and there is great pressure to show that growth will not be sought at the expense of the public finances.

The grave personal charge that Mr Haughey is unfit to govern encompasses his whole political career. His opponents, like Dr O'Brien, imply that he has been obsessed with gaining power at any price, including flirting with the extreme republicanism of the Irish Republican Army.

In spite of his well-heeled lifestyle, untypical of traditional Irish politics, Mr Haughey's great political talent was, and is, his ability to mix in a crowd. He has always commanded a passionate loyalty across a wide section of Irish society, as much because of his roguish air as in spite of it.

The greatest crisis in his career came in 1970 when, after building a reputation as a highly capable minister, he was dismissed from cabinet, arrested and tried with two other ministers on charges of illegally importing arms for use during the height of the troubles in Northern Ireland.

The three were acquitted, but it was seven years before Mr Haughey was a minister once more. The incident stained his reputation to a degree that his opponents believed he should not have been allowed to recover. This was reflected in an extraordinary speech by Dr FitzGerald on Mr Haughey's succession as Prime Minister in 1979 when the Fine Gael leader spoke of his "flawed pedigree," "overwhelming ambition" and "the dangers for this state" inherent in his election.

Prior to the so-called arms crisis, Mr Haughey had not previously had much of a reputation as a hardline Republican, although his parents came from County Derry in the North where his father had been an IRA leader.

In fact, his record in combatting the violence of the IRA has been tough. In keeping with most in his party, he has an anti-British streak and a strong Republican commitment which, in the spectrum of Irish nationalism, puts him closer to Sinn Fein, the IRA's political wing, than Fine Gael. But his attitude to Northern Ireland, while antagonistic to Ulster Unionists, is that changes must come through non-violent means.

He regards the Province as an artificial political entity, the problems of which cannot be solved by any internal settlement. It was he, in December 1980, who initiated the process of a London-Dublin joint approach to the Province that eventually led to the Anglo-Irish Agreement signed between Dr FitzGerald and Mrs Margaret Thatcher in November 1985.

Mr Haughey's talks with Mrs Thatcher broke down partly because of his opposition to the British action in the Falkland Islands. He expressed strong reservations about the Anglo-Irish Agreement for giving too many concessions to Northern Ireland's Unionists. But the fact remains that the thrust of the agreement is in keeping with his approach to the North.

Mr Haughey has encountered bitter opposition within Fianna Fail, as well as from without, for his style of leadership, once summed up by his press spokesman as "uno duce, una voce."

His successful bid to succeed Mr Jack Lynch as Taoiseach in 1979 was launched with the public support of just one other member of the cabinet of the day. During a two-year period from 1981 covering three elections—two of them lost—Mr Haughey faced three attempts to unseat him as leader. So close did he come to falling that a Dublin newspaper printed his political obituary.

He was not out of the woods, however. The short-lived minority Fianna Fail Government of 1982 was dogged by scandals which left a residue of dissent within the party.

Sometimes labelled the "GUBU" Government, for "grotesque, unbelievable, bizarre, unprecedented" after words Mr Haughey himself used about one incident, the events were remarkable by any standard: a murderer was arrested in the home of the Attorney-General; one minister secretly taped a private conversation with another minister; the telephones of two journalists were illegally bugged.

Mr Desmond O'Malley, one of Mr Haughey's challengers as leader and a close confidant of Mr Lynch, remained dissatisfied. In opposition, he continued to quarrel with Mr Haughey and in the end was expelled from the party in 1985.

At the end of that year, he formed the Progressive Democrats and was joined by three prominent Fianna Fail deputies. But the effect of this was to lance the boil of dissent and leave Mr Haughey unopposed in Fianna Fail.

His supporters say his true qualities will only emerge when he leads a secure government. First he must persuade the electorate to ignore the vilification he is now used to facing and give him a majority.

Major changes in Soviet leadership likely

BY PATRICK COCKBURN IN MOSCOW

IMPORTANT CHANGES in the ruling Soviet politburo are expected tomorrow when the central committee of the Communist Party comes together for what is considered its most important meeting since Mr Mikhail Gorbachev became party leader.

The long delayed meeting of the 307 member committee, the centre of power in the Soviet Union to which all senior officials belong, marks the climax of Mr Gorbachev's efforts to break the grip of the regional party machines and modernise the central organs of the party in Moscow.

Soviet officials say they expect three important changes. Mr Eduard Shevardnadze, the Foreign Minister, is likely to be moved to run the KGB security police, to be replaced in the Foreign Ministry by Mr Anatoly Dobrynin, Soviet ambassador in Washington for more than 20 years.

Mr Viktor Chebrikov, current head of the KGB, is expected to become Communist Party leader for the Ukraine, the Soviet republic with a population of 50m, which Mr Vladimir Shcherbitsky, a politburo member, has run since 1972.

The date of the crucial party meeting, the first since last summer and postponed several times last year, was finally announced by Mr Gorbachev at a party conference last Friday.

A strong attack on the agricultural performance of the Ukraine by Mr Yegor Ligachev, number two to Mr Gorbachev in the politburo, at the same conference is further evidence that the leadership of the republic is to change.

Mr Ligachev said that senior Ukrainian officials are "readjusting with intolerable slowness the management of the agro-industrial complex in accordance with the party's requirements." The Ukraine, one of the most fertile parts of the Soviet Union, now consumed more grain than it produced, he added.

He also assailed the economic performance of Kazakhstan, another important grain producing republic, the removal of whose leader of more than 20 years, Mr Dinmukhamed Kunaev, in December provoked serious riots. Mr Kunaev is considered certain to be dropped from the politburo tomorrow.

The removal of Mr Shcherbitsky, particularly if, like Mr Kunaev, he is replaced by a Russian such as Mr Chebrikov, would mark the climax of a campaign by Mr Gorbachev and the central party authorities to exert their authority on the political machines based on patronage established by long term adherents of Mr Leonid Brezhnev, the Soviet leader who died in 1982.

Mr Gorbachev has repeatedly expressed his frustration over the past year that local party bosses and well entrenched officials are sabotaging economic reforms. He has also accused them of wanting to retain personal privileges

Soviet officials say the move of Mr Shevardnadze to run the KGB should not be seen as a demotion because his appointment as Foreign Minister had always been seen as temporary. They say that it was necessary to break with traditions and policies established during President Andrie Gromyko's 28 years as Foreign Minister.

Mr Gorbachev wants to make the same break with the past at the KGB, which Mr Chebrikov has headed since December 1982, officials add.

Chinese student held for talking to US journalist

BY ROBERT THOMSON IN PEKING

A CHINESE STUDENT has been arrested for allegedly "providing intelligence" to a foreign correspondent and a Chinese journalist has been expelled from the Communist Party in a dramatic escalation of the campaign against Western influence.

The student's arrest is a warning to all Chinses mixing with foreigners and to foreign journalists who have been accused of hostile reporting of the recent student protests and the country's political turmoil.

The official Chinese News Agency, Xinhua, yesterday reported that Lin Jie, a student from Tianjin university, near Peking, has been arrested for "secret collusion with and providing intelligence to Mr Lawrence Macdonald," a Peking-based correspondent for Agence France Presse.

"Conclusive evidence has been obtained by the Tianjin Bureau of State Security through investigation," Xinhua reported. A Western diplomat said the incident would be a serious blow to China's image abroad and suggested it had been engineered by conservative officials seeking to sabotage the "open door" policy.

Mr MacDonald, a US citizen, was due to return to Peking from Hong Kong last night but delayed his return after learning of the report, which, diplomats say, amounts to an allegation of spying against him and of treason against the student.

The Chinese journalist expelled from the party was Liu Binyan.

Parry wins fight to build media centre in Peking

BY OUR PEKING CORRESPONDENT

THE Australian Parry Corporation, headed by Mr Kevin Parry, who later this week will defend the America's Cup, is due to sign a $50m (£33m) contract today to build a broadcast media complex in Peking.

Several other companies, including those run by Mr Jed Turner, the former US America's Cup yachtsman, and Mr Rupert Murdoch, the Australian-turned-American, had negotiated with the Chinese partner, China Central Television, but Parry finalised the deal over a banquet in Peking on Saturday.

The complex will be part communications centre and part hotel and will have accommodation for 300 journalists. CCTV expects that resident foreign correspondents will be forced to move out of their apartments in Peking's diplomatic compounds to fill the building, due to be completed in 1989.

Numerous foreign companies are wary of doing business in China, following the sudden dumping of Hu Yaobank, the Communist Party general-secretary, and the campaign against Western influences. However, Mr Parry said yesterday that he would be worried if there was not a "bit of movement at the top."

The Parry Corporation has created a subsidiary, the Parry China Development Corporation, in which it holds a 90 per cent stake, to manage the project.

Pakistan and India seek to calm war fears

By John Elliott in Karachi and K. K. Sharma in New Delhi

INDIA and Pakistan yesterday started moves to calm growing fears that they were about to begin fighting, following the most serious build-up of troops for many years on both sides of their common border.

India yesterday proposed to Pakistan that official talks be held in New Delhi to discuss the situation arising out of the sudden troop movements over the past three days. Pakistan has already made a number of requests for talks to defuse the crisis.

Pakistan stressed yesterday that it did not want to start a war with India but President Zia ul-Haq warned that, while he hoped the situation would improve, the "next two or three days are very crucial."

The two countries have fought three wars in the past 40 years, the most recent in 1971, and their relations are accident prone and often antagonistic. Relations have deteriorated recently partly because of accusations by India that Pakistan has been helping militant Sikhs in Punjab. Furthermore, the two countries hold military manoeuvres each winter along their common borders of Punjab and Rajasthan and Sind, and for the past three months there have been growing tensions as India has prepared for larger than usual exercises which are now starting.

Pakistan has responded by massing its troops along the border and observers say that the line up on both sides is more threatening from both sides than for many years.

Mr Mohammad Junejo, Pakistan's Prime Minister, said yesterday that his country's forces were making "defensive arrangements" in view of the build-up of Indian troops but added that "we want cordial and peaceful relations with India."

Mr V. P. Singh, India's Finance Minister until last week, yesterday took over as Defence Minister. The move follows New Delhi's announcement last Friday that it was sealing the Punjab border with heavy troop reinforcements because the Pakistani army had taken threatening positions.

Ian Rodger on Japanese government reform plans that suggest the Prime Minister is seeking a further term

Nakasone faces high-risk gamble if he opts to fight on

TODAY, Mr Yasuhiro Nakasone, the Japanese Prime Minister, is expected to propose, in an opening speech to the new session of the Diet (parliament), a comprehensive review of the country's governmental structure and overhauls of the much-criticised education and agricultural systems.

This would be an exceptional list for even a new leader with four years ahead of him, but Mr Nakasone has only nine more months to serve in his already extended mandate. So why, at at time when he should be putting the finishing touches on projects nearing completion and preparing to recede into the background, is he presenting a huge agenda?

In the view of many analysts in Tokyo, the most probable interpretation is that he is preparing the ground for a possible further extension to his term.

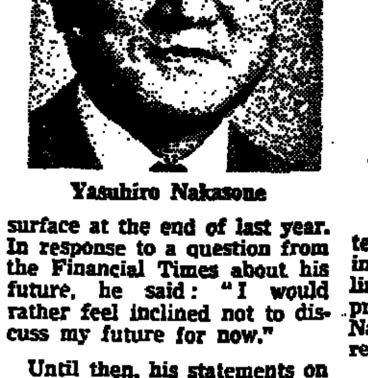
In most Western democracies, there would be nothing exceptional about such an attempt, but in Japan it is unheard of. It is also risky for Mr Nakasone. Japanese prime ministers are expected to serve one- or two-year terms and then retire to an often more influential role in the ruling Liberal Democratic Party and the Government behind the scenes.

Mr Nakasone has already been in office for more than four years and will have completed five when his extension ends in October.

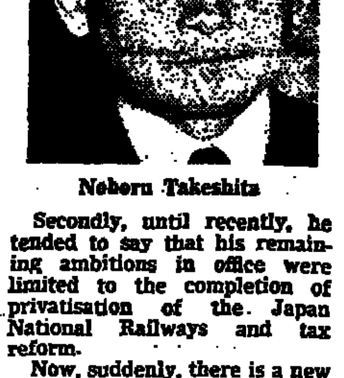
Because of his remarkable successes and his apparent good health, he faces the prospect of a long and influential future in Japan's public life as an elder statesman.

However, by seeking a further extension, he would upset the pattern of succession within the LDP, causing a lot of bad feeling and perhaps undermining his position after retirement.

The first hints that Mr Nakasone might be thinking of seeking a second term began to surface at the end of last year. In response to a question from the Financial Times about his future, he said: "I would rather feel inclined not to discuss my future for now."



Yasuhiro Nakasone



Noboru Takeshita

Until then, his statements on the subject always carried the assumption that he would stand down some time in the middle of this year.

Secondly, until recently, he tended to say that his remaining ambitions in office were limited to the completion of privatisation of the Japan National Railways and tax reform.

Now, suddenly, there is a new list of items on his agenda.

If he is thinking of an extension, it is probably because none of the candidates for succession seems well qualified, and he sees the outside chance of something like a "draft nakesone" movement emerging within the LDP and the country.

If so, he cannot be seen to be campaigning, but, whether by design or not, a situation has been created in which it will be difficult for the three main candidates for the succession to avoid controversy in the coming months.

The Government has before it three months of slogging in the Diet as the opposition parties will fight without inhibition against his tax reform plan and the increase in the defence budget. The debates promise to be nasty: the Government will be accused of overtaxing the poor and wanting to turn Japan into a militaristic nation again.

Mr Noboru Takeshita, one of the succession candidates, is also secretary-general of the LDP so it will be difficult for him to distance himself from these unpopular proposals. Mr Shintaro Abe, chairman of the party's executive council, is in a similar fix. Meanwhile, Mr Kiichi Miyazawa, the Finance Minister, has to deal as best he can with the increasing anger and anxiety of Japanese industrialists with the high yen.

As always in Japanese politics, there are opportunities for personal gaffes or slights. Opinions are divided on the impact of the latest of these, when Mr Takeshita tried to extend New Year greetings to his ailing faction leader, Mr Kakuei Tanaka.

Mr Tanaka is apparently still furious with Mr Takeshita for having set up his own sub-faction two years ago within the faction (since disbanded), and so, in the full glare of television lights, Mr Takeshita was refused entry to the Tanaka home.

Mr Nakasone may also be thinking more radically of a fundamental realignment of Japanese politics. The LDP's strength to date has been built largely on the rural vote. In recent years, as people have moved to the cities, that has been sustainable only because of the disproportionate number of parliamentary seats still held in the rural areas.

So far, no Japanese political party has dared abandon the rural vote in favour of becoming the champion of the huge and growing urban middle class. But an opportunity must be there, especially for someone willing to propose higher estate taxes on farmers so that their land in the urban areas can be used to ease the housing crisis.

Mr Nakasone may be thinking along those lines. Last week, he told the annual LDP convention that one of the reasons he wanted to undertake reform of governmental structures was to rectify the disproportionate distribution of Diet seats.

FINANCIAL TIMES

Published by The Financial Times (Europe) Ltd., Frankfurt Branch, represented by E. Hugo, Frankfurt/Main, and, as members of the Board of Directors, F. Barlow, R.A.F. McClean, G.T.S. Damer, M.C. Gorman, D.E.P. Palmer, London. Printer: Frankfurter-Societäts-Druckerei-GmbH, Frankfurt/Main. Responsible editor: R. A. Harper, Frankfurt/Main. Guiollettstrasse 54, 6000 Frankfurt am Main 1. © The Financial Times Ltd, 1986.

FINANCIAL TIMES, USPS No. 190640, published daily except Sundays and holidays. U.S. subscription rates $365.00 per annum. Second class postage paid at New York, N.Y. and at additional mailing offices. POSTMASTER: send address changes to FINANCIAL TIMES, 14 East 60th Street, New York, N.Y. 10022.

Diana Smith profiles Lisbon's dynamic Environment Minister who has won a rare measure of public approval

Portuguese polluters bowled over by Hurricane Pimenta

POLLUTERS OF Portugal take cover. Pimenta is on the march. Pimenta—that is, Secretary of State for the Environment and Natural Resources, Mr Carlos Alberto Martins Pimenta—is bad news for the individuals and enterprises which have degraded the environment for generations, with nary a law to hinder them.

For the growing number of Portuguese who want a cleaner, quieter country, for hikers who long to contemplate nature not jungles of illegally-built shacks littering the countryside, and for people who spend sleepless nights and harassed days trying to ignore the roar of cars, motorscooters and motorcycles stripped of silencers, the din of radios, stereos and televisions, howling dogs, buzzsaws, pneumatic drills or carnival-time fireworks, for all of them the small but hugely-resolute Mr Pimenta is the best news in years.

Opinion polls pinpoint him as the most effective cabinet minister. In a country that has seen 16 governments and several hundred ministers come and go in 12 years, to be noticed at all is a rarity. To be praised is a near-miracle.

Mr Pimenta (31), is a computer enthusiast who graduated as an electronic engineer from Lisbon's Higher Technical Institute and went through a dazzling array of business and computer courses at home and abroad.

He has been organising since his school days. Highly active in university associations, leader of the engineers' union until he began government work, the Secretary of State paces restlessly while he talks and boasts that he works 18-hour days. He has the five o'clock shadow of a man who lacks time or patience to shave often, and the pallor of those who need more sleep. But he acts fighting fit.

His job is to make a revolution in the land of environmental laissez-faire. He is pushing through legislation that by early next year will give the Director of Public Prosecutions, and environmental associations, powers to take tough action against those who pollute the air or water, those who systematically cause noise pollution, who build illegally on state-owned land, nature reserves or national parks, or who harm flora and fauna in those areas.

Mr Pimenta refuses to be deterred by phychological obstacles that inhibit many Portuguese officials, such as fear or reprisals or criticism by pressure groups, fear of offending a relative, friend's relative or friend's relative's friend in a small country where the extended family influences business and politics powerfully.

Parliament has been persuaded to approve the basis of sweeping environmental laws that will switch from no standards at all in the past to EEC standards and in some cases even stricter US Environmental Protection Agency levels. Now he is chivvying the Social Democrat cabinet into issuing the specifies of these laws at record speed.

The minister has already wheedled hugely-increased budgets for his department: Es 12.5bn (£62m) for investment and £10m current spending for 1987 — ten times more to be invested in nature reserves, 20 times more in anti-pollution measures, and 40 times more in water resources than in previous years.

And with more powers and money at his disposal, Mr Pimenta has begun to have fun.

He roars with laughter as he tells how he is making owners pay for the compulsory demolition of illegally-built second homes that have spread over state-owned beachfronts, parks and mountain ranges in the past decade or so.

Owners are furious and Mr Pimenta has received several ugly threats. But the houses are coming down. The unstoppable Mr Pimenta—whose surname means "pepper"—started with the Arrabida coast south of Lisbon.

Its once green slopes and sparkling sands had become covered in shacks, now 630 illegal houses are coming down as fast as demolition brigades can work. Today Arribida; tomorrow 500 illegal houses by a lagoon near Caparica beach; after that, 2,000 illegal homes in the Algarve's Ria Formosa and several dozen in the Estrela mountains north of Lisbon.

The peppery Mr Pimenta will not pulverise industrial polluters in one sneeze, however. From next January new factories must have proper controls for fumes and effluvia, but existing factories will negotiate contracts with the Government to reduce pollutents gradually. Computers — part of a £10m programme under way with American hardware and software devised with the help of local universities and private researchers — will track down every puff of toxic smoke one day.

Better water is to be supplied through new regional boards, ending what Mr Pimenta calls inefficient Napoleonic centralisation of water management.

When he is not overseeing demolition, making laws or programming computers, Mr Pimenta sponsors literature and video programmes on the environment for schools and the general public. Occasionally, he even finds time to hike among the Portuguese countryside he is determined to preserve.

Boeing in move over new jets

By Michael Donne, Aerospace Correspondent

BOEING, the world's biggest jet airliner manufacturer, confirmed at the weekend that it intends to start discussions soon with over 170 airlines about its revised plans for advanced technology airliners for the future.

These cover a 150-plus seater twin-engined, twin-aisle airliner, the 7J7, using either a "prop-fan" or a new Superfan jet engine, and a new 100 to 110-seater that would be a derivative of the existing 737 short-to-medium range jet.

Boeing said in a telex to all its big customers that progress in its studies in recent months timed at producing a 150-seat airliner for the 1990s, has been significant.

Boeing confirmed that primary interest among airlines still centred on the use of a "prop-fan" engine in the 7J7 but that because of the emergence of new types of engine, such as the International Aero Engines' Superfan, both types of power-plant would be studied with the airlines, for both underwing and rear-fuselage mounting.

Boeing said it would be in a position to launch the 7J7 "when it appears that sufficient market demand has been established."

Legal ruling strains Chirac-Mitterrand relationship further

BY PAUL BETTS IN PARIS

THE DELICATE political cohabitation between Mr Jacques Chirac, the French Conservative Prime Minister, and Mr Francois Mitterrand, the Socialist President, has again come under heavy strain after the Constitutional Council cancelled one of the Government's key labour reforms.

Mr Chirac: another political setback

The Constitutional Council, the country's leading independent judicial body, said on Friday that the Government had acted unconstitutionally in December by forcing legislation on flexible working time through Parliament. President Mitterrand had refused to sign the bill, so the Government decided to put through the legislation as an amendment to another bill.

The decision of the Council is a serious political blow for Mr Chirac who, after the recent setbacks of the student protests, railway strikes and currency crisis, has seen his public standing decline sharply. Moreover, the latest public opinion polls reflect increasingly disenchantment in the country with the delicate exercise of power sharing between Prime Minister and President.

Mr Chirac's latest setback also coincides with a further set of disappointing employment figures showing a 1 per cent rise in job seekers last month. The total unemployment rate last month rose to 10.7 per cent from 10.6 per cent in September. The number of jobless, on a seasonally adjusted basis, rose to 2,574,100 or 5.5 per cent more than a year ago.

The Constitutional Council decision which was accompanied by another ruling against legislation on competition, was immediately attacked by the Government. Both Mr Alain Poher, president of the Senate, and Mr Jacques Chaban-Delmas, president of the National Assembly, questioned the Council's independence.

Although Mr Chirac has so far made no comment, he is expected to raise the issue during a day-long meeting with all his ministers on Thursday. He is also due to hold a news conference on Thursday to outline his government's intentions this year.

The Government has become increasingly angry about a series of Constitutional Council decisions reversing legislation. The nine-strong council, whose preident is Mr Robert Badinter, the former Socialist Justice Minister, has been accused by the right of political bias.

The flexible working time legislation was a key part of the Government's labour and economic strategy. It was aimed at enhancing labour flexibility to help make French companies more competitive, at the same time helping increase or protect employment, the Government argued. However, the unions have had severe restrictions about it and the Socialists, including President Mitterrand, claimed the law favoured employers.

Although Mr Chirac may be tempted to call an extraordinary session of Parliament to rush the legislation through again, he is widely expected to wait until Parliament reassembles as scheduled in the spring. However, his government, which has a slim majority in the National Assembly, is coming under pressure to regain the political momentum.

The latest decision of the Constitutional Council is likely to make more difficult the Government's relations with the labour movement. After the recent strikes in the public sector, it is seeking to hold down wage increases for public sectors workers this year in a 2-3 per cent range.

Ericsson and Siemens to develop mobile phone system

BY SARA WEBB IN STOCKHOLM

ERICSSON, the Swedish telecommunications and electronics group, and Siemens, the West German electrical engineering concern, have agreed to co-operate in the development of a digital mobile telephone system which could be used across Europe and which would be ready for introduction on the market by 1990-1991.

The two companies are hoping to appeal to the European telecommunications standards committee which is currently working on plans to standardise mobile telephone systems in Europe by the early 1990s. The committee has already received proposals from eight consortia of European companies, including Phillips, Bosch, Mobira, LCT and Telettra. It is due to release details about the general specifications of such a system — for instance, whether to use broad band or narrow band technology — towards the end of February.

Siemens and Ericsson have decided to work on a narrow band model, which is generally regarded as the most attractive solution.

The development of a standard, pan-European system would allow anyone using a mobile telephone to move freely from country to country without having to change handsets and systems. Whereas existing systems are based on analogue technology, the new system would be based on digital technology which could increase capacity by about ten times.

Siemens and Ericsson have not released information on the cost of such a research and development project, and have not ruled out the possibility of forming a larger consortium in order to strengthen their hand.

Introduction of a European system could eventually mean much cheaper mobile telephones which would appeal to a wider range of consumers, not only businessmen and senior executives. Ericsson estimates that the world market for mobile telephones will reach $7bn by 1995. It is now estimated to be worth about $1.5bn.

Abducted aid team sought

THE FRENCH Government is still trying to trace 10 members of the humanitarian group Medecins Sans Frontieres (Doctors without Frontiers) kidnapped in a refugee camp in northern Somalia at the weekend, writes Paul Betts.

The French group, who include six women, were seized by armed men in the refugee camp of Tug Wajale near the border with Ethiopia. The two doctors, six nurses and two organisers were assisting with medical aid among the 32,000 Ethiopian refugees in the camp.

Formed in 1971, Medecins Sans Frontieres sends medical personnel all over the world. Members of the organisation have helped in several African countries, South and Central America and in Asia.

The 10 seized in Somalia are understood to have been taken to Ethiopia. However, no details were available yesterday about the identity of their captors or the reason for the abductions.

Brunei 'breaks oil embargo with sales to S Africa'

BY LUCY KELLAWAY

BRUNEI has been supplying South Africa with large quantities of crude oil, breaking the embargo imposed by the country in 1982, says the Shipping Research Bureau, an anti-apartheid organisation based in the Netherlands.

The bureau has identified 56 deliveries of crude oil between 1979 and October 1986, of which it says 33 were made during the past three years.

Altogether, it says, the deliveries were worth at least $1.3bn (£853m) and account for about 6 per cent of South Africa's oil import needs during the period.

The sales circumvented the embargo by using a series of intermediaries, says the bureau, which has traced a chain from the producer, Brunei Shell Petroleum, jointly owned by Royal Dutch/Shell and Brunei Government, to Marubeni, a Japanese trading company.

The bureau claims Marubeni then sold the oil to Mark Rich, a US trader, now operating from Switzerland, which in turn delivered it to South Africa, where much was used by the Shell-BP refinery in Durban.

The shipping companies identified by the bureau as involved in the deals were Neptune Orient Lines of Singapore and Lorentzens Rederi of Norway.

Both Shell and Brunei Shell Petroleum have denied any connection with the sales, although they do not deny selling the oil to Marubeni.

They claim to have strictly imposed restrictions on the final destinations of oil sold. Marubeni has made a similar denial.

The Brunei Government is investigating the disappearance of large quantities of oil from its official figures, which show that deliveries to the US were less than the amount leaving the country ostensibly for the US. It is believed some of the missinge oil may have reached South Africa.

UK NEWS

Poll shows Tory support undaunted by controversy

BY JOHN HUNT

THE CONSERVATIVES have an eight-point lead over the Labour opposition and are back at the level of support which won them a landslide victory in 1983 according to a Harris poll published in The Observer newspaper yesterday.

To the surprise of politicians, the poll also suggests that the Guinness affair and other City of London controversies have not damaged the Government's standing with the electorate.

Although the majority of recent polls put the Conservatives in the lead, they still show considerable volatility. Only on Friday a Gallup poll in the Telegraph newspaper gave Labour a five point lead over the Tories.

Meanwhile, the electioneering mood intensified yesterday with a long speech by Sir Geoffrey Howe, the Foreign Secretary, which was entirely devoted to an attack on the opposition Alliance, particularly the Liberals. This was seen as a pre-emptive strike against next week-end's re-launch of the SPD/Liberal Alliance programme.

The Harris poll put Conservatives at 44 per cent, Labour 36 per cent and Alliance at 18 per cent. This compares with the Telegraph poll which gave Labour 39.5 per cent, Conservatives 34.5 per cent and the Alliance 23.5 per cent.

Harris also asked whether recent evidence of City "scandals" made it more or less likely that the person questioned would vote Conservative or whether it made no difference.

A remarkably high figure, 81 per cent, said it made no difference while only 15 per cent said it was less likely they would vote Conservative because of this, and two per cent said it was more likely.

Sir Geoffrey, speaking to the Cambridge University Conservative Association, was clearly outlining themes which the Conservatives will develop in a general election campaign.

He claimed that the Liberals and Social Democrats were divided over policies, particularly defence. He also emphasised that a vote for the Alliance could give power to a left-wing Labour Government or, alternatively, would result in an ineffective 'hung' parliament.

He concentrated his fire on the Liberals and argued that the Conservatives, with their emphasis on individual liberties, were the true inheritors of the old Liberal tradition.

Only the Conservatives, he said, had put class warfare behind them and offered a Britain which was prosperous and competitive. Many of the best elements in the real liberal tradition inspired the policies of the modern Conservative party.

The present Government, he said, had done more to decentralise economic power, to put choice in the hands of the people and to make Britain a freer society than almost any government this century.

Hunt for satellite story 'mole'

By John Hunt

SPECIAL Branch detectives yesterday resumed their search of the offices of the New Statesman, the left-wing magazine, and searched the home of Mr Duncan Campbell, the investigative journalist, in their hunt for the "mole" who leaked the spy satellite story.

The internal security police moved in after the banning by the BBC of a film allegedly describing a £500m satellite project codenamed Zircon. Details of the project were described in the New Statesman by Mr Campbell who scripted the banned television programme.

Mr John Lloyd, editor of the New Statesman, said police were going through files, drawers, shelves and desks.

Mr Lloyd said: "The Government clearly wants to be seen to be stamping on us. They have sent the Special Branch to make a search which is unnecessary, to find nothing more than was in the story already."

New Third Market will trade shares of small companies

BY ALICE RAWSTHORN

THE THIRD MARKET begins trading today as the London Stock Exchange's new centre for dealings in the shares of small companies. The new market will act as a junior tier to the two established forums: the main stock market and the Unlisted Securities Market.

The third tier has been introduced in response to two phenomena: the growth of venture capital activity in the UK during the 1980s which has financed the development of thousands of small companies; and the upsurge of unofficial share dealing on the over-the-counter (OTC) market which has emerged off the Stock Exchange floor.

Although the OTC market, capitalised at more than £660m ($990m) has proved that demand exists from businesses and investors for a less rigorously regulated forum than the two established Stock Exchange markets, its development has been blighted by a succession of scandals.

The Third Market has been created to provide a more disciplined environment in which small companies can raise capital and investors' interests will be better protected.

The new market is intended for companies which are too young, or too small, to joint the USM or main market. It will embrace "speculative" stocks such as start-ups, business expansion scheme issues and mineral exploration companies.

Sponsorship and market-making have been restricted to Stock Exchange member firms. The exchange has delegated responsibility for deciding whether companies are suited to the market and for ensuring there is a regular flow of information to shareholders. Almost 30 member firms intend to act as sponsors, while eight will become market makers for the third tier.

Investment will be dominated by private shareholders who have been the staple source of capital for both the USM and OTC market.

Eight companies will begin to trade their shares on the Third Market today: the Abelscot Group, a holding company; Aberdeen American Petroleum; Allied Insurance Brokers; Catalyst Communications, a marketing group; Eglinton Oil & Gas; Publishing Holdings; Theme Holdings, a chain of London restaurants; and the Unit Group, which manufactures timber pallets.

Recently 70 companies have expressed an interest in joining the new market. More companies are expected to transfer from the OTC market in the coming months. Accountants Peat Marwick expect 120 businesses to have joined by the end of the first year.

The Third Market will have a quieter opening than the USM which sported 11 stocks on its debut in November 1980. The first day's trading on the USM was fairly hectic, although the pace of business soon slowed down.

Of the USM's first 11 companies only three are still quoted on the market, three have graduated to a full listing, four have been taken over, and one has failed.

Dublin Government 'assumed bugging'

By Hugh Carnegy in Dublin

DR GARRET FITZGERALD, the Irish Prime Minister, said yesterday the Irish Government assumed that Britain was able to intercept signals between Dublin and its embassy in London and necessary precautions were taken to ensure the security of such traffic.

He was responding on Irish radio to reports in Irish and British newspapers over the weekend that classified, enciphered Irish despatches were regularly intercepted and decoded by British Signals Intelligence and that conversations within the embassy itself were "bugged."

The reports said the Irish had resorted to hand-carried messages during the delicate negotiations prior to the signing of the Anglo-Irish agreement in November 1985.

Dr FitzGerald said he had no knowledge of the embassy in London being bugged. But he said any Irish government simple-minded enough to think the intelligence services of countries such as the Soviet Union, the US and Britain did not have the capacity to intercept messages would be taking risks with national security.

"We know that they have the capacity to do it. There is no particular evidence that it has happened. There is nothing to protest about but we wisely work on the assumption that this sort of thing can happen," he said.

He added he was happy with the precautions that were being taken, although he did not specify them.

Despite Dr FitzGerald's assurances, the issue could prove awkward for him during the campaign for the February 17 general election.

It is bound to be used by some of his opponents as evidence that he has been too trusting of the British Government during the Anglo-Irish process.

Bankruptcy rate slows after sharp increase

BY ANDREW TAYLOR

THE underlying rise in the level of bankruptcies and company liquidations flattened out last year following the sharp increase in business failures during the early 1980s according to figures just published by the Department of Trade and Industry.

The number of bankruptcies in England and Wales rose by five per cent to 7,121 last year but below the peak of 8,229 in 1984. The number of company liquidations fell by three per cent last year to 14,427.

The number of business failures however is still far above the levels at the beginning of the decade when there were just over 4,000 bankruptcies and just under 7,000 company liquidations.

Bankruptcies, having risen by 7.8 per cent in the first six months of last year, increased by only 2.2 per cent in the second half of the year, supporting the department's contention that the rate of business failures has flattened out.

The rate of company failures was more evenly spaced between the first and second six months of 1986.

According to the department the manufacturing sector accounted for 35.4 per cent of all company liquidations during the first nine months of 1986. Construction accounted for 11.9 per cent and transport and communications for 5 per cent of company liquidations.

The self-employed accounted for 74.5 per cent of all bankruptcies during the first nine months, of which retailing accounted for 21 per cent and construction 11 per cent.

Telephone strike unions will meet management

BY CHARLES LEADBEATER, LABOUR STAFF

MEMBERS of the British Telecom board will today meet the leaders of National Communications Union (NCU), as the strike by 100,000 telephone engineers gets under way.

The two sides might make the first moves to open talks at the quarterly meeting between the company and the British Telecom Unions Committee, which brings together the four main telecommunications unions.

While both the company and the union said the meeting will not be used for negotiations, it is almost certain that the engineers' strike will be discussed.

Mr John Golding, general secretary of the NCU, said: "It is absurd for us to be engaged in a trial of strength. We have to do something to get round the table."

However BT said it will not open detailed negotiations until the engineers call off their action.

Speaking on BBC radio, Mr Mike Bett, managing director of BT's inland communications warned the union that some in the Conservative Party would use the strike to *argue for greater competition* in the telecommunications market. BT might consider bringing in private contractors to carry work normally done by the engineers.

While Mr Bett admitted that faults were starting to mount, he said services were still bearing up quite well. The trunk cable carrying calls from the North West to London broke down over the weekend, according to the union.

The Home Office confirmed the Government might have to turn to its own emergency communications system. The main trunk exchange serving Whitehall, much of which is yet to be modernised is vulnerable to failures, according to local engineers.

The strike follows BT's decision to suspend engineers who started an overtime ban two weeks ago in pursuit of a pay claim. Mr Bett said no engineers would be allowed back to work without giving assurances that they would work normally, because the company feared a minority might sabotage the system.

Mr Golding described the accusations as outrageous, and challenged BT to produce clear evidence of sabotage.

Many branch officials say local managers were prepared for engineers to return to work without assurances of normal working but were *overidden by senior executives.*

With the strike about to bite on the engineers' personal finances – they will not be provided with strike pay – pickets will be out in force today. Small numbers of engineers will be at work in the Solent, South Wales, Midlands, North of Scotland, and Severnside area, district union officials reported.

Helen Hague reports on clashes outside News International's London plant

Violence marks Wapping anniversary

IT HAD been billed as "The Big One." A large inflatable zeppelin, emblazoned with a message to boycott News International's four titles hovered above the Wapping skyline.

Printworkers sacked by the company a year ago, their union leaders, a clutch of Labour MPs and sundry "supporters" were set to march on the *fortress.*

The violent scenes which ensued outside the plant – the worst since the dispute began according to the police – ensured that "Wapping", *which has largely faded from* the TV and newspaper headlines, was once again prime-time news material.

The anniversary march and its *attendent clashes,* has focussed attention on public order. In doing so it has eclipsed the complex dynamic of a dispute which has failed to stop News International getting its titles out of the razor-wire festooned plant and onto the streets.

After 12 months of marches and attempts to stop distribution, the big push failed to have any impact on the company's distribution strategy.

When the marchers reached the *hated gates of Wapping, a jazz/pop* bank took the stage, blasting out toe-tapping numbers and engendering a near carnival atmosphere.

But by the *time top-bill speakers* took the platform, attention was already distracted from rostrum rhetoric to grim street theatre.

The lorry which musicians who lead the march had earlier played on – stretched across the road which leads down to the plant – was rocked over by a clutch of demonstrators. Attempts to set it on fire failed. It was promptly shifted by a bulldozer.

Youths, many of them with faces covered, began pelting the serried row of police with missiles – from rocks and stones to full beer cans.

The police were not slow to respond. They *had* come equipped with a full panoply of anti-riot gear and showed no reticence in deploying it.

Snatch squads were *dispatched* into the crowd to round up the missile throwers. But it appeared that many not directly involved in attacking the police came in for both *verbal and physical* attack.

Mr Derek Hudson, a 33-year-old press photographer was knocked unconscious by a police truncheon, as he tried to run from police charging into the crowd. He later had six stiches in *his* head wound.

Speeches of solidarity with the printworkers rang out from the platform tannoy – but many were drowned by the crowd. Mr Arthur Scargill, the miners' union leader – who compared Britain in 1987 to a neo-facist state – received one of the best responses. He said that Labour MPs should "stop prattling on about spy stations" and get themselves *down* to Wapping, for future mass demonstrations.

Ms Brenda Dean, Sogat's general secretary, called for renewed action from the TUC. She was booed by sections of the crowd. Mr Tony Dubbins, Leader of the National Graphical Association, called for "the fight to continue." Mr Tony Isaacs, a prominent sacked London Sogat Machine branch activist, called for a form of direct action to be taken in pursuit of the boycott campaign.

"If you see anyone reading those scab titles, tear it out of their hands."

There were clearly those among the crowd who had come for a bit of direct action against the police.

A group of youths ripped up three huge paving stones at the top of Well Close square, opposite the plant. It augmented the stock of iron and wooden poles used as ammunition against the police.

Incongruously, souvenier mugs and *posters, commemorating the* year-long struggle, were still being sold at the height of the clashes.

This came at shortly after 9pm, when mounted police suddenly *staged* their first *charge* into the crowd. Fleeing demonstrators – some retorting with a further barrage of missiles – were temporarily dispersed.

Many, protesting *innocence,* had to run speedily to safety as the horses galloped through. The police seamed intent on pushing back the frontiers of their control.

Several more mounted charges were made – inevitable followed by back-up snatch squads, plucking demonstrators away and dragging them behind police lines.

Police and demonstrators counted the cost, as relative calm returned to the battle zone around midnight. By that time, The Sunday Times and The News of the World were already bound *for* British breakfast tables.

PRINT union leaders last night called for an independent inquiry into police tactics outside News International's printing plant in Wapping, east London in the wake of clashes at the weekend described by the police as the most serious in the year-long conflict.

Mr Douglas Hurd, the Home Secretary, is due to make a statement in the House of Commons today on Saturday night's violent clashes between police and demonstrators taking part in a march to commemorate the anniversary of the Wapping dispute.

Sixty-seven people were arrested – only 13 of whom were printworkers – during violent scenes in which mounted police were deployed to disperse demonstrators.

According to the police, 162 officers were injured, along with 11 police horses, when they came under fire from a barrage of missiles hurled from the 12,000 strong crowd.

Heath joins attack on takeover bids

BY JOHN HUNT

TAKEOVER bids have created a situation in the City of London which represent "another aspect of the unacceptable face of capitalism" *Mr Edward Heath, the former* Conservative Prime Minister, said yesterday.

He repeated his famous phrase when he was interviewed on the BBC TV programme This Week, Next Week. He renewed his call, made in the House of Commons last week, for official government regulation of the City instead of the present regulatory framework.

The Government, he said, must act quickly and effectively. At the moment it was trying to find a halfway house but it had to face up to the fact that an old-fashioned approach no longer worked when so *many internationally owned companies* and conglomorates operated in the City.

There had to be very clear, firm regulations backed up by the law. *Where the law* was broken, immediate prosecution must follow.

Mr Michael Howard, Minister for Corporate and Consumer Affairs, speaking in the same programme, hinted that he would be prepared to examine the regulations on disclosure of nominee shareholdings once the inspectors had reported on Guinness.

Mr Roy Jenkins, the Alliance Treasury spokesman, said that at a time of "merger mania" the whole question of nominee shareholdings should be examined.

● The Department of Trade and Industry's internal review of the law *and policy on* mergers and restrictive trade practices is likely to continue until the end of this year, Peter Riddell writes. The probable length of the review was confirmed in a parliamentary *written answer* on Friday by Mr Howard. He added that, "meanwhile, if changes of policy within the existing law are identified as desirable, the Government will not *hesitate* to implement them."

Electronic companies fight Government cuts

BY TERRY DODSWORTH, INDUSTRIAL EDITOR

THE Electronic Engineering Association (EEA), the premier representative body for UK electronics companies, has mobilised widespread support in the industry for a novel campaign aimed at reversing cuts in government research and *development spending in the manufacturing* sector.

The EEA initiative, supported by most of its 61 members, calls for new incentives which would allow 150 per cent allowances against pre-tax profits for all audited research and development expenditure.

In return for such an inducement, members would be prepared to pledge an increase in their own commitment to research work, says Mr Tony Thatcher, president of the association.

Behind the EEA's decision to press for government action lies a growing perception of inadequacies in the UK's research and development spending in the high-technology industries.

According to the association, government cuts in Britain are putting UK companies at a serious disadvantage against more generously-treated competitors overseas, including all of the country's main trading rivals in the US, Japan, West Germany and France.

In support of its demands, the EEA makes the following points;

● *Since 1980,* the UK has *slipped* from a slight trade surplus in electronic capital equipment to a large deficit, which is expected to have amounted to about £1.4bn in 1986. While the country has held its own in radio equipment, the deficit in computers and data processing goods has grown steadily in larger, and since 1983 it has gone into a deepening negative balance in telecommunications equipment.

● British research and development spending as a proportion of gross national product has slipped back since 1980 and at around 2.25 per cent is now well behind the 2.5 per cent or more committed by the US, Germany and Japan.

● *Research funding by the Department* of Trade and Industry is forecast to decline by 25 per cent over next year.

UK NEWS

David Lascelles reports on a sensitive question posed by London's deregulation

Barclays in dilemma over investment arm

Barclays Bank is considering whether its investment banking arm Barclays de Zoete Wedd (BZW) should continue to give investment advice about Barclays' own shares.

This follows the incident earlier this month when BZW's bank analysts advised clients to seek opportunities to sell Barclays shares because its profits are likely to be hurt by bad loans. The "sell" recommendation which received wide publicity caused a temporary dip in Barclays share price.

The matter is being considered at top management level taking into account the practice of other banks and other financial institutions both in the UK and the US.

Barclays has two options. One is to leave its present policy unchanged and to tolerate further possible negative comment from BZW while stressing the benefits of independent research. The second is to tell BZW to stop offering opinions on Barclays on grounds of conflicting interests.

The first course of action would keep Barclays in line with the other clearers whose analysts all report on their own banks shares. It would also avoid a clash with BZW where feelings are said to be running high on this issue. The second course would conform with the practice of some smaller UK merchant banks and US investment groups. But it would mean that BZW, one of the largest market markers in UK equity stocks, would be unable to comment on a major UK blue-chip stock.

Although a decision to allow BZW to continue analysing its shares would add credibility to Barclays' claims that it can handle the consequences of the Big Bang, the deregulation of the City of London, it seems likely that the bank will opt for the second course of halting comment altogether.

BARCLAYS finds itself on the horns of a dilemma over whether to allow Barclays de Zoete Wedd (BZW), its investment banking arm, to continue to publish opinions about its own shares. At issue are some of the most sensitive questions raised by last year's Big Bang. Can banks manage the stockbroking firms they have bought? How independent are their new investment banking subsidiaries? How strong are the cultural clashes?

The dilemma has been thrust on Barclays in an unusually brusque way. Three weeks ago, BZW's financial analysts headed by Mr Terry Smith put out one of the harshest circulars ever seen about a clearing bank. They began with the words "There is something wrong with Barclays" and had barely a nice word to say. They described Barclays interim results last year as "the last straw" and advised investors to switch out of Barclays into its two strongest rivals National Westminster and Lloyds.

The report, which to ensure its objectivity was not circulated to Barclays top management in advance, is said to have caused an uproar when Sir Timothy Bevan, chairman, read about it in the press. "Barclays blew a gasket" was how one Barclays man described it. An executive put it more mildy "It was a surprise and there was a certain irritation," he conceded. But the report itself was a sell out and BZW had to order a reprint, to satisfy an avalanche of demand for it.

Barclays management is now deciding how it should respond. Basically, it can either grin and bear it or tell BZW to stop analysing Barclays shares. But both courses are awkward.

The case for leaving things as they are is that Barclays' big clearing bank competitors allow their analysts to make recommendations about their own shares. And Barclays would only invite invidious comparisons by switching.

Mr Jonathan Cohen, the chief executive of NatWest's investment banking arm, said "Our analysts are employed to give advice to our clients and if that involves criticism of NatWest, then that's OK so long as they are doing their job properly." Mr John Aitken, NatWest bank stock analyst has occasionally advised clients to sell NatWest in his daily comments.

At Midland Bank, investment recommendations are made by analysts of W. Greenwell, the stockbroking firm acquired by Midland last year. Mr Keith Brown, the head of research believes analysts should criticise their parents where need be but be diplomatic about it. "It's not so much what you say but how you say it" he says.

His view reflects one criticism of BZW in the whole affair: that the report on Barclays could have made its point less bluntly. It is unusual, for example, for analysts actually to say "sell." They often use euphemisms such as "weak hold."

Greenwell's current recommendation of Midland is "Buy but be patient." – a half-hearted opinion because Midland is likely to make a rights issue shortly to boost its reserves depleted by the Crocker bank disaster.

But if the other banks are playing it cool, none of them have yet been put to the same sort of test as Barclays. They are doing well, and the brokers' circulars are broadly favourable.

Barclays also needs to consider the impact of any change in policy of the effectiveness of BZW's operations. Barclays is by any measure a major stock; it represents about 20 per cent of the heavily traded banking sector on the stock exchange, which in turn is about 6 per cent of the total market. If BZW could not comment on such a key stock its whole banking coverage could be affected.

It is true that some smaller banks such as Kleinwort Benson and Morgan Grenfell get round the problem by not analysing their own stocks. But they are such a small part of the market that this does not matter.

The impact on BZW's morale would also be considerable particularly since strong assurances about its independence were given by Barclays when its constituent parts de Zoete & Bevan, the stockbrokers, and Wedd Durlacher, the jobbers, were bought last year. A change in policy might even trigger resignations and bring more unwelcome publicity. BZW's financial analysts have a particularly feisty reputation.

One argument in favour of change is that analysts who report on their own parents tend to suffer from impaired credibility because the market thinks they have access to special information. "If I was to say that my parent company was about to make a rights issue everyone would think I had been told about it even if I had worked it out myself" said one analyst.

Judging by the strength of the reaction in Barclays, BZW may well be asked to stop offering opinions on its stock. That would confirm the City of London's prejudices about the inflexibility of clearing bank attitudes. But to be fair to Barclays, this is no simple matter.

Costain plans North Sea gas pipeline

BY MAURICE SAMUELSON

COSTAIN, one of Britain's biggest civil engineering companies, has told the oil industry it wants to build and operate a 275 mile (440 km) pipeline for collecting gas liquids from the North Sea and a chemical complex in north-east Scotland to convert them into commercial products.

The project, which could cost at least £400m, is intended to boost the profitability of the oil industry by enabling it to sell liquid condensates which are left behind during gas production. Costain has two initial partners – Dow Chemical and Ross Petroleum, part of the US-based Daniel K. Ludwig group.

Although the idea is far from new, this is believed to be the first time that a construction group has taken the initiative to build, own and operate it as an independent utility on behalf of its customers.

At a time when several other major North Sea investments have been killed off or delayed because of falling energy prices, it is claimed that the price fall enhances the attractiveness of a scheme which would raise the income from gas production.

For every nine barrels of natural gas, one barrel of condensate is produced, which is currently reinjected into the seabed.

The 24 inch diameter pipeline is thought to require access to two gasfields to be viable. It is targeted initially at the Bruce field, to be operated by British Petroleum and due to come on stream in 1993. The Bruce consortium's other leading participants include Hamilton Oil, Rio-Tinto Zinc and Britoil. The field is still undergoing detailed appraisal but is expected to peak at more than 70,000 barrels a day.

Oil industry analysts had previously supposed that the route for exporting the condensates from the Bruce field would be via the pipeline which carries oil from the nearby Ninian field to the Sullom Voe terminal, on Shetland. There have also been reports that BP is considering building its own network for collecting gas liquids.

Costain's proposed pipeline from Nigg Bay would pass through a cluster of other gasfields with estimated recoverable recerves of 1.5bn barrels of condensate. At Nigg, it would be converted into such products as naphtha and kerosene, which could be sold in the UK or exported to the Continent.

Costain, which is in contact with BP and operators of other central North Sea gasfields, hopes to secure initial agreements with one or two by the middle of this year.

Costain is promoting the scheme through a specially formed consortium, Invermoray Hydrocarbon Utility Company. Building the pipeline would account for two-thirds of construction cost. The rest would be spent on land-based facilities, including a fractionator with an initial capability of 100,000 barrels a day of condensate, storage tanks and terminals for dispatching the products by land or sea.

BASE LENDING RATES

	%		%		%
ABN Bank	11	● Charterhouse Bank	11	● Morgan Grenfell	11
Adam & Company	11	Citibank NA	11	Mount Credit Corp. Ltd	11
Allied Arab Bk Ltd	11	Citibank Savings	¶12.45	Nat Bk. of Kuwait	11
Allied Dunbar & Co	11	City Merchants Bank	11	National Girobank	11
Allied Irish Bank	11	Clydesdale Bank	11	Nat Westminster	11
American Exp. Bk.	11	Comm. Bk. N. East	11	Northern Bank Ltd	11
Amro Bank	11	Consolidated Credits	11	Norwich Gen. Trust	11
Henry Ansbacher	11	Co-operative Bank	*11	PK Finans. Int'l (UK)	11½
ANZ Banking Group	11	Cyprus Popular Bk	11	Provincial Trust Ltd	12
Associates Cap Corp	11	Duncan Lawrie	11	R. Raphael & Sons	11
Authority & Co Ltd	11½	E. T. Trust	12	Roxburghe G'rantee	11½
Banco de Bilbao	11	Equatorial Tst C'p plc	11	Royal Bk of Scotland	11
Bank Hapoalim	11	Exeter Trust Ltd	11½	Royal Trust Bank	11
Bank Leumi (UK)	11	Financial & Gen. Sec.	11	Standard Chartered	11
Bank Credit & Comm	11	First Nat. Fin. Corp	11½	Trustee Savings Bank	11
Bank of Cyprus	11	First Nat. Sec. Ltd	11½	UDT Mortgage Exp.	¶12.25
Bank of Ireland	11	● Robert Fleming & Co	11	United Bk of Kuwait	11
Bank of India	11	Robert Fraser & Ptrs	12	United Mizrahi Bank	11
Bank of Scotland	11	Grindlays Bank	‡11	Westpac B'nking Corp	11
Banque Belge Ltd	11	● Guinness Mahon	11	Whiteaway Laidlaw	11½
Barclays Bank	11	HFC Trust & Savings	11	Yorkshire Bank	11
Benchmark Tst Ltd	11	● Hambro Bank	11		
Beneficial Trust Ltd	12	Heritable & Gen. Tst	11		
Berliner Bank AG	11	● Hill Samuel	§11		
Brit. Bk. of Mid. East	11	C. Hoare & Co	11		
Brown Shipley	11	Hongkong & Shangh'	11		
CL Bank Nederland	11	Lloyds Bank	11		
Canada Permanent	11	Mase Westpac Ltd	11		
Cayzer Ltd	11	Meghraj & Sons Ltd	11		
Cedar Holdings	12	Midland Bank	11		

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BUSINESS LAW

Bill of rights and cable TV

By A H Hermann, Legal Correspondent

UK opinion makers — to use a term embracing everybody who ever spoke out on the subject — are divided between those who think that a bill of rights would be a cure-all for infringements of individual freedoms and those who view it as a bogey, bound to destroy the supremacy of parliament and enthrone a rule of despotic judges.

Experience of those countries which have a bill of rights or equivalent constitutional provisions demonstrates, of course, that it is neither. Indeed, it operates mostly as a vehicle of consensus and compromise in a fairly low gear.

An illustration of this has been provided by the Federal German Constitutional Court in its review of the constitutionality of legislation adopted in Lower Saxony for the regulation of private broadcasting.

The judgment of November 4 1986 (I BvF 1/84) is very different from what we are used to receiving from the European Court of Human Rights in Strasbourg. While its judgments usually deal with complaints of individuals or of individual private companies seeking remedy for injustice alleged or suffered, the Karlsruhe judgment is concerned with *preventing* the restriction, distortion or abuse of the freedom of broadcasting guaranteed by Article 5/1/2 of the Fundamental Law.

The Constitutional Court takes the view that this pithy rule means that the freedom of broadcasting must be protected not only against the intervention of the state — that is, of the government in power — but also against private monopoly and abuse by sectional and economic interest.

It held that broadcasting programmes of radio and television must try for a "balanced diversity" in order to support the democratic order. Broadcasts should provide an opportunity for all schools of thought except those oposed to the democratic system of government.

But the representatin of minorities cannot be achieved arithmetically. Rather, it is important to prevent the assumption by one group or another of a superior, dominant influence on the formation of public opinion. In a way this concept owes much to the competition law, where free competition is protected not by allocating market shares but by measures restraining the abuse of dominant market power and monopolies.

The law adopted in Lower Saxony on May 23 1984 (GVBR p147) is one in a series of legislative attempts by German *Länder* to regulate broadcasting in the transitional period while private stations and cable transmissions of foreign television broadcasts appear side by side with state broadcasting stations, but before private enterprise has completely taken over and integrated the European and possibly worldwide audience, as some observers expect it will do.

Until recently, broadcasts in the Federal Republic were entirely a matter of public service. Problems posed by private broadcasting stations are of a relatively recent date. In respect of radio, these are less acute because the local fare can be supplemented by tuning to distant radio stations —and not only from the German-speaking area, though this in itself includes East Germany, Austria and part of Switzerland, in addition to West Germany. In radio, the required balanced diversity is therefore an automatic result of the technical ease with which distant broadcasts can be heard.

The problem is quite different in the field of television. Reception from television satellites requires costly equipment. And the cable systems capable of bringing foreign television board casts, whether from foreign stations or from satellites, to the doorstep of the local audience have only a limited reach.

The West German Post administration aspires to a cable network covering 80 per cent of the territory but at the beginning of last year it was accessible to only about 18 per cent of all households, of which only a third—6 per cent of the total—made use of it.

The Constitutional Court had to start, therefore, with the premise that television broadcasting is, and for some considerable time will remain, a localised issue of a terrestrial nature, meaning that the influence of satellite broadcasting has not yet opened the air to worldwide competition and that law is still needed to protect the balanced diversity and to prevent the emergence of private monopoly in the formation of public opinion.

The legislation adopted by Lower Saxony tries to achieve this by introducing a licensing procedure for private radio and television stations. Political parties or their enterprises are not eligible, and no programme maker can obtain a licence for more than one complete radio channel and one complete television channel. This limitation also embraces all associated enterprises.

It is laid down that, preferably, there should be two radio and two television channels produced by operators satisfying professional requirements. Broadcasting times should be mutually agreed but, if not agreed, can be regulated by the authority—a regional broadcasting committee operating as a public agency independent of the Government.

It is the task of this authority to watch over the balanced diversity of programmes, which can be achieved either by balancing each programme or by collective balancing of several programmes. The ultimate sanction available to the authority is to revoke the licence.

The key requirements of supervision are contained in Section 15, applying to programmes produced in Lower Saxony or imported there from other parts of West Germany. The individual channels, or all channels combined, must provide for the expression of views of all important political, ideological and social groups. Section 11 prohibits programmes opposed to free democratic order and to the country's constitution. Section 13 requires factual and comprehensive information. And Section 14 provides for the protection of juvenile listeners and viewers.

The broadcasting programmes should be aimed at the entire Lower Saxony audience, though they may exceptionally also provide programmes for a smaller area. In such a case, no more than half of the channel programmes may be supplied by a publisher of periodicals which has a dominant position in the locality.

Advertising matter may be inserted only in blocks and only in programmes lasting more than 100 minutes. Advertisements must not amount to more than 20 per cent of weekly broadcasts.

Programmes imported from abroad do not require a licence: only notification to the authority is needed. Their contents must not infringe human dignity or contravene the prohibition on pornographic, violent or racist sequences.

Programmes imported from the West German territory must also satisfy the requirement of balanced diversity laid down in Section 15. Imported programmes are not subject to the duty to publish replies by those who feel that their interests were harmed by misleading information.

The Socialist party (SPD) met this legislation with intense hostility. A constitutional complaint was signed by 201 SPD members of the German Parliament. They complained that the balanced diversity of the programmes is not properly specified in the legislation, which also does not ensure proper control and prevention of undue influence over the formation of public opinion. In private, market-orientated broadcasting, the balance of information and opinion will not be produced automatically, they asserted, saying it must be regulated. There was also complaint that the legislation did not provide sufficient control of sponsorship and private subsidies as well as control of combined press and broadcast enterprises.

Because of these alleged shortcomings, the plaintiffs asked the Court to declare the entire statute null and void.

The Court rejected this main claim and held that the legislation was in principle compatible with the requirements of the Fundamental Law. But it called for it to be amended.

The Court rejected the demand for a detailed regulation of the "balanced diversity of programmes." This, said the judges, was a target for which broadcasters must strive but it was impossible to say exactly how they should do it.

However, the complaint was justified when it pointed out that the statute provided no guidance for the transition from internal balancing within one programme to external balancing between several programmes. This shortcoming could be removed by providing that the existence of four mutually independent channels of the same sort creates the presumption of external balance. This presumption, however, could be disproved by the broadcasting authority. Such an arrangement, adopted in Schleswig-Holstein, also provided for clarity and certainty of the law.

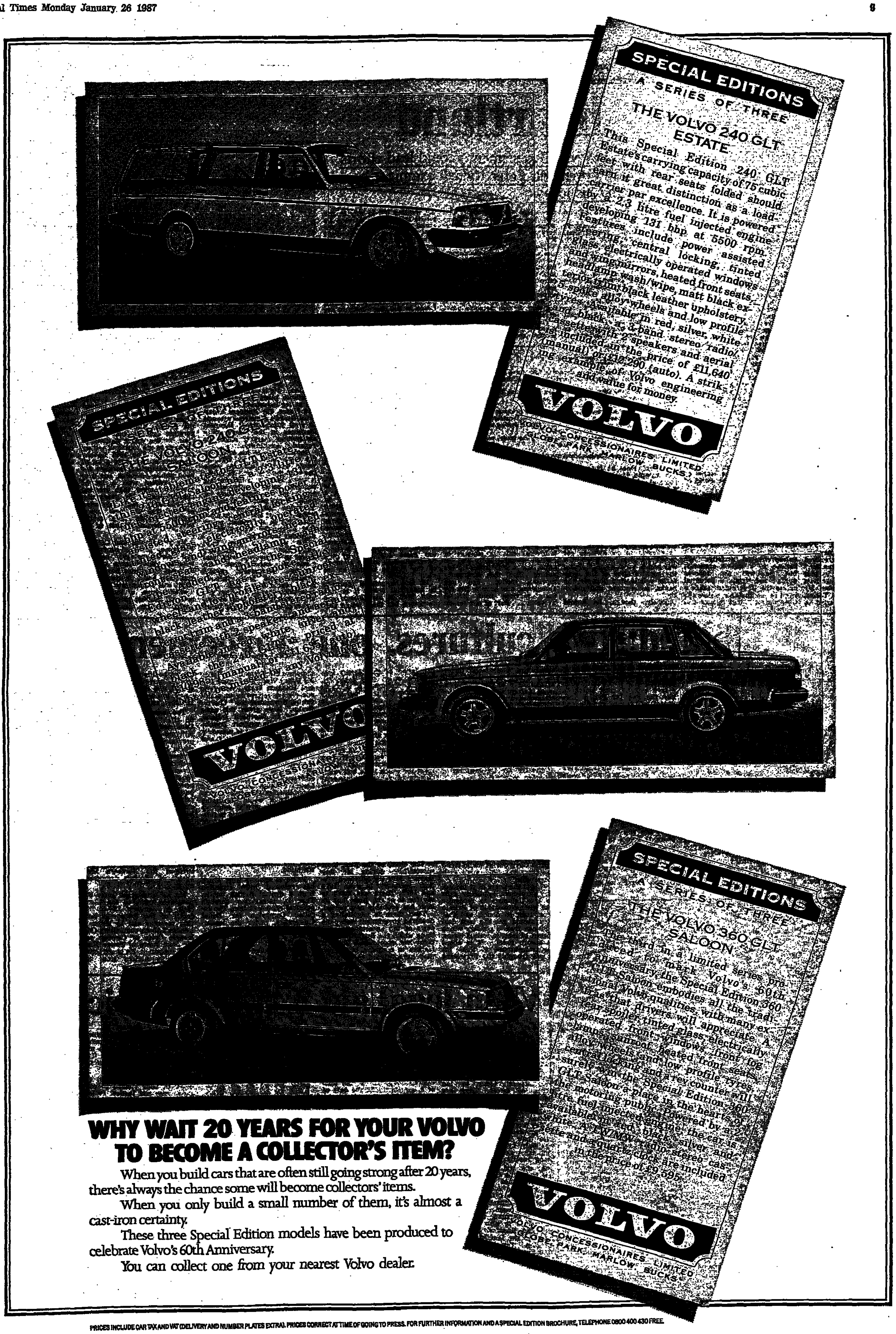
The Court also said that imported programmes should not be exempted from the requirement to contain factual, comprehensive and true information, and they should not be absolved from the obligation to publish replies from those harmed by misleading information.

The Court called also for removal of a provision which leaves the Government free to decide a licensing application if the independent authority did not decide within three months or additional time allowed to it. The Court said this would leave too much discretionary power in the hands of the prime minister of Lower Saxony.

The Court rejected the complaint that, by requiring a professional standard as a prerequisite to licensing, the legislation provided the press with a privileged access to broadcasting. The maintenance of a certain quality of broadcasting technique and form, said the Court, required the employment of qualified staff but not necessarily those with newspaper experience. Moreover, the requirement for professionalism on the part of broadcasting staff is likely to be a much lower barrier to entry than the substantial investment and operation costs required for a broadcasting enterprise.

The Constitutional Court concluded that the legislature did not regulate too little. The statute provided for institutions and procedures designed to ensure that broadcasting would not get out of balance. In addition, should experience show that these provisions were insufficient, the legislature could always enact further measures.

Lucky Germans! No one will ever complain that UK statutes do not provide sufficient detail. They do so with a vengeance, obscuring and often frustrating the intention of parliament.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INTERVIEW

Industrial heartland

John Smith, Labour's industry spokesman, believes Government should lead efforts to revive manufacturing industry. Geoffrey Owen and Peter Riddell examine the thinking behind his ideas

JOHN SMITH, Labour's Shadow Trade and Industry Secretary, is a pragmatist, not an ideologue. Most businessmen who know him regard him as "thoroughly sensible." Some of them probably sympathise with his view that the revival of British manufacturing industry requires a strong lead from the Government. The key question is what sort of lead Mr Smith has in mind and whether it will be any more effective than the interventionist policies pursued by the last two Labour governments.

The first of these (1964-70) created the Department of Economic Affairs (DEA) as a super-planning ministry, but the national plan which it sponsored fell victim to economic reality. The Industrial Reorganisation Corporation, set up in 1966 to invest directly in industry, still has its admirers, but its real achievements were slim. It was reborn in 1974 as the National Enterprise Board and this will be followed —if Labour wins the next election—by British Enterprise.

Mr Smith, who is certain to have a place at the heart of any Labour Cabinet, says: "The mistake that was made with the DEA is that it was a co-ordinating department. You will never make changes in British government with a co-ordinating department.

"I believe the Department of Trade and Industry has got to be the power-house of the British economy. It has to be the department of the real economy, as it were. I've noticed with some dismay the way it has been marginalised under the present government."

Is he not discouraged by past experience with an activist DTI, for example, under Mr Peter Walker and the Tories, when the department tried to rescue the motor cycle industry and backed an over-ambitious investment in steel? Mr Smith's retort is that the record of a non-interventionist DTI has been even more disastrous. "If we go on the way we are going, there will not be much of British industry left."

He says it is too easy to criticise past examples of government intervention. "The private sector makes many mistakes, but they are never publicised—they are buried in the accounts."

He sees the Thatcher years as an era of industrial retreat. "We have got our backs to the wall in manufacturing industry now. We've really got to draw a line, a sort of El Alamein line, and say no more retreats. We had better start making advances soon or else how on earth are we going to overcome the balance of trade deficit in manufactured goods—unless we are going to live endlessly on remitted profits from overseas?"

Mr Smith feels that other industrial countries—Japan, West Germany, France and recently Italy—have been through an industrial renaissance, while Britain has somehow missed out. Yet he says: "I'm very sceptical about taking transplants either in the world of constitutions or in the world of industry."

Does not Italy's success owe more to an entrepreneurial revival than to government intervention and might this example hold lessons for the UK? "I don't think it will do for Britain simply to rely on entrepreneurial activity. We don't want in any way to inhibit entrepreneurial activity. We believe in a mixed economy, but we will not recover our industrial potential unless the Government takes a hand in the business, unless the Government makes it a crucial part of its policy to rebuild manufacturing industry."

He says he is not "besotted" by government intervention; there are other ways in which the Government can stimulate people to do things for themselves. But he does not put his trust in market forces.

"The market can be an extremely good servant. It gives you crucial market intelligence. It tells you what consumer preferences are. But it is a bad master if you allow it to be the sole determinant of your social and economic policy."

His attitude to competition as a spur to better performance is lukewarm. Does he not accept, for example, that the vigour of internal competition within Japan has something to do with that country's industrial success? He does not.

He puts more weight on "the interlocking relationship between government and industry, the fact that to lose face in Japan is more important than to make large profits, the fact that they seem to be able to get together to win for Japan in a way which we don't match, and the sophistication of the long-range relationship between the banks, government and industry."

Surely, though, he would agree that the arrival of Mercury has sharpened up British Telecom's performance? "Mercury is not really competition. It's a skimming operation. Mercury is not offering an alternative service to the domestic consumer." The effect, he insists, has been to force BT to jack up tariffs for the ordinary consumer in order to compete with Mercury for business subscribers. "That does not seem to be, looking at it from the ordinary British person's point of view, a significant advance."

Similarly Mr Smith sees no merit in BT's policy of inviting foreign companies to compete with Plessey and General Electric Company as suppliers of telephone exchanges. "We are about the only country in the Western world that hands out contracts for telecommunications equipment to foreign companies."

In his view BT, like the other utilities, is "a natural and necessary monopoly" which must stay in the public sector. It has an industrial role in support of British manufacturers and an important social role. "It's absurd that the emergency services, police, fire and ambulance, now have to pay for their services from British Telecom . . . Part of our reason for wanting BT to stay in the public sector is to develop its social policy, so that the 20 per cent of the population who don't have telephones will get better access to them."

He would be prepared to over-ride the market to preserve strategic industries. For instance, "a viable motor industry seems to me to be a strategic national industrial objective and we should be prepared, if necessary, to suffer losses in the short term to ensure that it survives. But I don't believe that that's just an endless subsidy policy." It is no part of his philosophy to support badly funded, badly organised, badly run enterprises.

Mr Smith is equally insistent on maintaining national ownership of key enterprises such as Jaguar. "The notion that Jaguar should be allowed to be gobbled up by General Motors or Mercedes would be unthinkable, and we should say that loudly and clearly now."

But would not a bar on foreign takeovers give these companies a form of protection which might be unhealthy? "It doesn't seem to have held back French industry too much. We are too open to international raiders."

Referring to Leyland Trucks, he says: "We all know there is over-capacity, but there is a poker game going on in Western Europe over the future of trucks. The British Government plays it with all the cards face up and there is no reason why all the loss of capacity should be in the British sector. I think we should play a vigorous game supported by the Government to secure as much of the vehicle market as we can."

Mr Smith's general approach to industrial policy is in line with that of his Labour predecessors, but there would perhaps be three points of difference.

First, he would be more cautious. He is unlikely to back grandiose plans for restructuring entire industries. A venture like Nexos, the National Enterprise Board's disastrous attempt to rival International Business Machines in the world office automation market, might be regarded sceptically.

Second, despite his stress on the importance of the DTI, he would want to delegate more power to the regions. He thinks it was a mistake to concentrate regional policy in the centre, which led to large sums of money being paid out to capital-intensive industry — much of which did not last. He is more interested in a regional policy that places the weight on indigenous industries.

He wants to give local authorities more statutory power to be involved with local economic development. A Labour government would channel some funds through local authorities and local enterprise boards, "so that you are restoring more local control and creating more locally based industry. We might be slower that way, but we will be surer and steadier in the long run."

Third Mr Smith believes the Government should involve itself in new activities instead of propping up the old. His experience in helping to set up the British National Oil Corporation confirms him in that view. "We didn't nationalise anybody in the course of setting up BNOC. The 1945 Labour Government took over a lot of ailing enterprises, perhaps for good public purposes, but they were saddled with a lot of problems rather than creating opportunities. My generation of Socialists is more interested in exploring the new opportunities, rather than taking over the declining assets of the past."

He sees Inmos and Celltech (ventures in semi-conductors and bio-technology) as two notable achievements of the National Enterprise Board. The successor body, British Enterprise, will concentrate on areas "which, from a long range national interest point of view, ought to be developed by publicly sponsored ventures or by joint ventures."

The DTI will be working in the same direction. "The DTI should make intelligent interventions in the economy. As a matter of fact we don't need to pass a lot of laws. Many of the laws are there—Industry Act 1972, Science and Technology Act 1975, a lot of them are still there on the statute book. I would like for example to see a lot more prototype development. I think that is where we are missing out in the R and D element—the D is not coming through successfully enough.

"Now there are all sorts of possibilities for sponsoring prototypes so that the Government helps bring the prototype to the market. If the prototype succeeds, the Government gets a kickback from it, if it fails the Government writes it off. That kind of intelligent intervention, market-sensitive but run on the basis of a national policy perspective, would be a very good way. It is not necessarily terribly expensive either."

Ashley Ashwood

● PERSONAL FILE

Born 1938;	educated at Dunoon Grammer School and Glasgow University, gained law degree and was chairman of the University Labour Club.
1962	Won the Observer Mace National Debating Tournament.
1967	Admitted to the Faculty of Advocates.
1961 & 64	Unsuccessfully contested East Fife.
1970	Elected for Lanarkshire North (now Monklands East).
1974-76	Under-secretary, then Minister of State, Department of Energy.
1976-78	Minister of State, Privy Council Office, dealing with devolution.
1978-79	Secretary of State for Trade.
1979-87	Opposition spokesman successively on trade, energy, employment and trade and industry.

Ireland: two cultures, one agreement

JOHN LLOYD

CITIZENS of Britain's most despised and most expensive region are furiously interested in a matter to which most of us will give only passing attention: the result of the Republic of Ireland's general election next month. Its imminence permits us to think again on the Anglo-Irish agreement—and think about it we should in part because the result of the election puts its future in some doubt and in part because its past has been so uniformly terrible.

That last statement is beyond controversy: every index of lawlessness and terror has increased in the agreement's 15-month life. Earlier this month, the Northern Ireland Housing Executive added its own chilling figure to the list, when it noted that over the past year it rehoused some 1,000 families who had been intimidated into leaving their homes. Most were Catholic, or members of the security forces.

Some of the black humourists in which the province now abounds have pointed out that anything which unites these two groups cannot be all bad—but it is really an index of the depth of Protestant rejection of the agreement, which has produced Protestant terrorism on a so far unparalleled scale and increased IRA activity. The pact has as yet thrown up no Unionist politician willing even to discuss the reforms outlined in it. It has at times—as in the province-wide strike last March —seen even militant Unionists like the Rev Ian Paisley lose control of his rank and file, and be forced to condemn their excesses. To be sure, the agreement has brought increased status to the main Catholic party, the Social Democratic and Labour Party, and it is broadly popular among many Catholics in the North. But it has also caused them to fear their Protestant neighbours much more than in the past.

The defence of the agreement condemns this as the short-term view. The present "troubles" will be 20 years old next year, the argument goes, and any device to bring peace is bound to be in itself a long haul. The best case I have read for the agreement is by Dr Claire Palley, a constitutional lawyer who is Principal of St Anne's College, Oxford. Dr Palley calls attention to the "stark facts" underlying the agreement: she argues that "no British government is committed to permanent maintenance of the United Kingdom of Great Britain and Northern Ireland. Indeed . . . there has been a rapid slide to positive commitment to ultimate reunification." (This is too strong: the British Government has not gone that far yet. But it *has* breached the principle that the internal affairs of the UK are the business of no other country.)

This being the case, she argues, "Unionists require now coolly to re-evaluate their goals and tactics." With unification inexorably coming upon them, they should "foreshorten the process . . . thereby achieving stability and peace more rapidly while negotiating a political structure giving them a large degree of autonomy . . . . No British Government would stand in the way of any such compromise."

This is the heart of it indeed. The agreement implicitly calls on the Unionists to recognise that their citizenship of Britain is at least in doubt, and that they should get the best deal they can from a country which wishes, at least in formal terms, to absorb them. It is about the transference of some 1m people (roughly the Protestant population of the North) into a state which they presently, at best, distrust. It is about subjecting the most powerfully Protestant community in western Europe, if not the world, to a direct confrontation with the most powerfully Catholic state in western Europe, if not the world. It is demanding that blood feuds ancient and modern be forgotten and forgiven, dissolved in a uniquely ecumenical movement for which little will exists outside official and ministerial circles — even in the Northern Catholic community. It is, to put it at its mildest, a terribly tall order.

But, its defenders and proposers are entitled to ask, what are the alternatives (its main proposer has characteristically decided that there *is* none)? Well, there is doing nothing—something which has been done, or not done, in the past, most successfully during Mr Roy Mason's tour as Northern Ireland Secretary between 1976 and 1979. There was much to say for it at the time; but its hour has probably now passed.

Then there is negotiating a devolved government under the aegis of the agreement, something which the British Government has encouraged Unionist leaders to consider, but which they have refused to do while the agreement remains in force. Mr Harry West, the former Official Unionist Party leader and some other figures in unionism calling themselves the "Charter Group," have given this some running in Northern Ireland, but with little support. Devolution of government is presently not on as practical politics, and may never be.

There is independence, which Mr Paisley's Democratic Unionists espouse as a last ditch strategy and which groups associated with the Protestant paramilitaries also favour. Economically it would (assuming an end to the British subsidy) reduce Northern Ireland to relative poverty and run the danger of internal civil war and even clashes on the border. It appears to be a militant gesture, a counterpart to the old cry of "no surrender!" enough to heat the blood but not satisfy the mind.

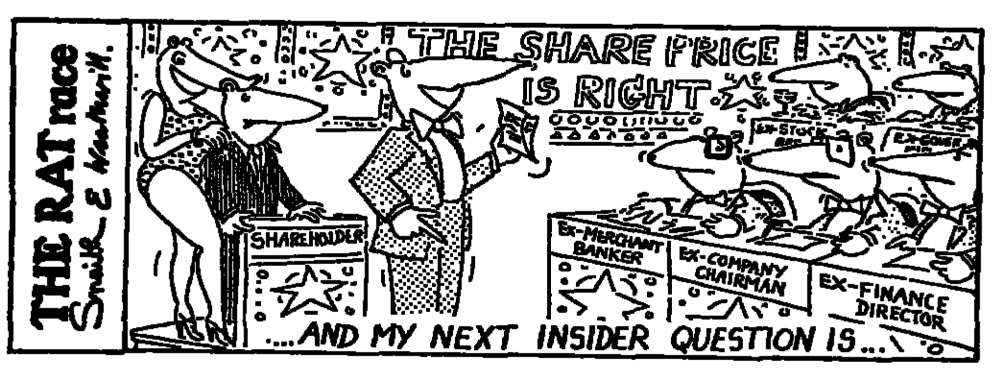
There is another way, which has received little attention from a cynical British public. That is, integration through political representation. The so-called Campaign for Equal Citizenship, under the leadership of Mr Robert McCartney, a Belfast barrister, is winning recruits and influence. Mr McCartney failed to win the Official Unionist conference over to his position last November by the narrow margin of 199 to 153, and then only after the party leadership had made it, in effect, an issue of confidence.

The campaign, in brief, calls on the "mainland" parties—Conservative, Labour and Alliance—to organise in the province and fight elections there. It argues that the self-enclosed nature of Ulster politics over the past nearly seven decades has bred an irresponsibility, not just in the province, but in Westminster: parties which do not need to canvass votes in the present can be wholly unrealistic about how they dispose of the future. It claims that parties with no sectarian trappings might be able to break free of the trench warfare endemic to provincial politics. And it insists that lack of a voice in the main political structures of the UK has stripped the Northern Irish people of effective democratic rights.

Mr McCartney got some 800 people to come to the Ulster Hall on January 13—in the depth of the freeze—to hear that message and to listen to London Labour councillors (Mrs Maggie Cosin of Camden and Mr John Rowe of Tower Hamlets) support it. He is attracting favourable notices from the Belfast Telegraph (the province's biggest selling paper) and has won over many young Unionists to his cause. His campaign is, for the moment, going places: it does stand as an alternative to the agreement.

And it will be strengthened by Mr Charles Haughey's Fianna Fail party's expected win in the election. Mr Haughey has backed away from outright opposition to the agreement. But he will not, like Dr Garret FitzGerald, the present Prime Minister, try to make his fellow citizens prove that they are liberal secular humanists, to woo the Ulster Protestants into his fold — Dr FitzGerald attempted to do so but two referenda on divorce and abortion told him he was wrong to have tried. Mr Haughey speaks for, and appears to like, Ireland the way it is—deeply and conservatively and popularly Catholic. (Its economy is also in terrible shape—another cause for Unionist scepticism.)

Implicit in the agreement was that Dr FitzGerald's projection of the Republic be accepted; but he has failed to provide substance for that, and his probable defeat makes the issue of the agreement very stark indeed. Unification between two such proudly separate cultures may some day be possible, even desired. It is neither now. That should be recognised—and the day after the election, the Anglo-Irish agreement should be looked at very closely indeed.



When legal aid is a small price to pay

JUSTINIAN

FORTY-SEVEN Liverpool city councillors, who in September 1985 were surcharged by the District Auditor for wilful misconduct in delaying the fixing of the annual rate for Liverpool, take their appeal today to the House of Lords. They are appealing against the surcharge of £106,103 and a disqualification of five years from holding public office. Only on Friday were 30 of the councillors granted legal aid to prosecute their appeal, so that it was only by a hair's breadth that they avoided, in theory, being legally unrepresented.

At the end of the summer law term, the Court of Appeal had dismissed their appeals, but gave the councillors leave to take their case to the final court of appeal. Until that stage the councillors, having failed to persuade the legal aid authorities to give them legal aid, had financed their challenge to the District Auditor's decision through donations from supporters and sympathisers. By the summer that source had dried up. So last October it was decided to try again for financing out of public funds.

In December the legal aid authorities had received applications from the great majority of the 47 councillors, but had only just begun the laborious task of assessing their individual applications. Area No 14 of the Law Society, the area responsible for handling the applications, indicated that it thought the case merited the grant of legal aid. (This had already been indicated by the Court of Appeal. At the time of a hearing to fix the date of the appeal in the Lords, the Law Lords too thought as much.)

But the Law Society stated that it could not grant any certificates of legal aid until it was put in full possession of information as to the financial resources of the 47.

The accumulation of such information presents legal aid authorities with a formidable task. The assessment of capital and income, necessary for ascertaining entitlement to legal aid, is carried out by the Department of Health and Social Security. To perform its task, the Department needs the active co-operation of the applicants.

The task in this case proved to be peculiarly difficult, given the short time-span between the date of the applications for legal aid and the date fixed for the hearing of the appeal, something little short of three months, with a long Christmas break intervening.

Out of the 47, assessments had been made in only half of the applicants' cases by last week. Three of those applicants were found to be ineligible, since their incomes exceeded the threshold of the legal aid limits. Of the rest, the assessments were incomplete. Some were likely also not to qualify, while others might be found to have sufficient funds to warrant their being asked to contribute as a condition of the grant of legal aid. The Secretary of Area No. 14 knew of the impending hearing before the Law Lords, but felt impelled by the regulations not to grant any certificates before completing assessments on all applicants.

Why should all those, whose cases had been fully processed and who would ultimately have been granted legal aid, have to wait? Since civil legal aid cannot operate retrospectively, this week's hearings before the Law Lords would have gone by without any of the councillors being supported out of public funds. Was not the whole purpose of legal aid being frustrated by too strict an adherence to bureaucratic rules?

If so, bureaucracy at the eleventh hour yielded to common sense and justice. Following a dash by the councillors on Friday to the High Court, the Area Committee of the Law Society resolved, with commendable alacrity, to grant emergency certificates to 30 of the 47.

The problem arises from the rules relating to legal aid for groups of litigants. Where a legal aid application is made by a litigant in a case involving numerous people with an identical interest in the litigation, the legal aid authorities are bound to consider whether all the other interested parties should be required to defray so much of costs as would be payable from the legal aid fund if a certificate were issued.

If the application for legal aid is approved, and it is reasonable that others should contribute to the cost of the proceedings, the amount of any contribution payable by others is aggregated and added to the contribution (if any) payable by the single applicant. Payment of the total contribution is made a condition on which legal aid is offered to the one applicant.

The reason for this rule is obvious. One person, unemployed and with no capital (and, therefore, entitled to legal aid with a nil contribution) could otherwise prosecute his case at public expense, while his co-litigants could cheerfully sit on the touchline without incurring a penny's liability. Hence the requirement that the means of all the potential beneficiaries of a piece of litigation should be assessed, and their resources pooled in the public financing of the litigation.

The inevitable delay that this rule entails cannot be blamed on the legal aid authorities. They do their best, but sometimes the rtsult is that the legal aid process is aborted.

There is one simple remedy available for dealing with the handful of cases that go to the House of Lords, about 50 appeals a year. Since every case that goes to the House of Lords, by definition, raises a point of law of general public importance, and the parties can get their cases to the Lords only with the leave of the Law Lords or the lower court, there is always some indirect public benefit to be derived. The cost to the public of automatically funding every appeal to the House of Lords would be a small price to pay for the elucidation and development of our law.

THE MANAGEMENT PAGE

Calor

Stepping on the gas to keep its freedom

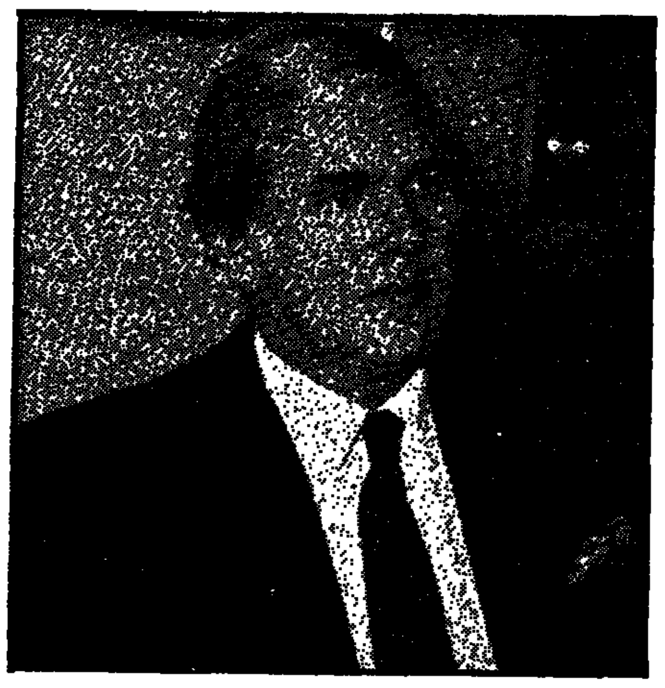
BY LUCY KELLAWAY

"IF I COULD make a wish," said David Mitchell, the talkative managing director of Calor, "I would wish that everyone would get off my back for 12 months so that I could get on with developing the business."

On Wednesday, less than 24 hours after he had made his wish it suddenly looked like coming true. The teams of rummaging auditors from the Monopolies and Mergers Commission suddenly packed their bags and went home, as Gulf Resources, the company controlled by the UK investing duo, the Berkeley brothers, announced that it was abandoning its £750m bid for Imperial Continental Gas, Calor's parent.

He is not quite a free man, however. Occupying him now are the extensive preparations for his company's own coming out. Aged more than 50, Calor might seem a litle old to be a debutante. However, its protective parent has at last decided to set Calor free, and is putting the final touches to a deal that will dissolve IC Gas and replace it with two companies, the Calor Group, which will contain both Calor and its upstream oil subsidiary, Century Power and Light, and Contibel Holdings, which will consist of IC Gas's portfolio of Belgian investments.

"I think splitting the company up makes sense. It will make it clearer to everyone what Calor is all about." This view, which might just as well have been expressed by the chairman, was in fact the reasoning of the company chauffeur. Like most of Calor's other employees, he is a shareholder in the group, and takes a great interest in its performance.



David Mitchell: his hostility to the Berkeley brothers' bid was shared by many employees, most of whom are also shareholders in the company

Since he bought his shares in February last year at about £3 he has watched them double in value, and even after the Berkeley withdrawal he is still showing a profit of about 90 per cent.

Did he think of selling out when the Berkeleys made their bid, or when the bid was referred? No, he reckons that the bid for the company merely served to alert shareholders to the true worth of the company. He says he has no plans to sell, as after all "everyone needs energy, so you can't go wrong, can you?"

His last point aside, he may be right. It took the bid to demonstrate to the City the potential value of the company broken up, and even though the Berkeleys have retreated, the shares still stand about 55p higher than the bid price.

Much of this is due to Calor, which after more than half a decade in the dark, is now moving towards the centre of City attention. It is Calor that the Berkeley Brothers were after, vowing that they wanted it for itself alone and not for its resale value.

Since the bid was announced, Calor has shown itself worthy of such admiration. Last month it announced interim profits that were so good that wrong-footed City analysts were left blushing over their inadequate forecasts. After having made a first half loss in almost every year in recent memory the company deftly produced a profit of £16m.

The chief cause was the fall in the oil price, which pushed down the cost to Calor of its liquefied petroleum gas by much more than the price it charges its customers.

Margins of course cannot be expected to remain as fat as they were during the first half. Indeed were they to do so, Calor might find that it was back in the hands of the Monopolies and Mergers Commission, which ruled in 1981 that Calor's near monopoly position in its market was quite benign. Nevertheless, price movements should continue broadly in Calor's favour as a glut of LPG on the market is likely to ensure that the price will take longer to recover than the oil price.

However, some of the improvement in its performance has been due to more durable causes—Calor has simply become much more efficient.

The most recent advance was putting into use the new £25m gas storage facility at South Killingholm on the Humber, which has reduced the average price Calor pays for its gas. Now that Calor is able to buy fairly large volumes of LPG directly from the North Sea or from abroad, its bargaining power with the domestic refiners — on which it was previously uncomfortably dependent — has been greatly improved. The terminals have not only given Calor more flexibility in the timing of its purchases, they have secured it what Tony Acketts, Calor's director of supplies, calls "a seat at the big table."

Over the past five years a number of other advances in efficiency have also been made. When Mitchell became managing director in 1980 the company had been rudely shoved into recession after a decade of rapid growth. The market for cylinder heaters, which had propelled Calor through the 1970s, rising tenfold in as many years, suddenly fell by half. At the same time the other main standby, bulk sales of LPG to the industrial market, also went strongly into reverse.

The first response was to cut the workforce, which then numbered nearly 5,000, by a quarter. Then new markets had to be found.

Until the 1980s Calor was a straightforward distribution company, with a huge nationwide network delivering a standard product to fairly well defined markets. Over the past five years it has been forced to think more like a marketing company and has not only succeeded in replacing static to shrinking markets, but has managed to grow at about 20 per cent a year.

The most exciting current market is that for domestic central heating for consumers beyond the gas mains. Calor claims to have been the first to discover this market in 1981, which apparently still offers potential despite British Gas's efforts to lay more gas mains.

Other encouraging markets include sales to fork-lift trucks (LPG produces no fumes), to the booming catering trade and to social clubs, hospitals and garden centres. Indeed, Richard Barry, the marketing director, says excitedly that new uses for LPG can be found in almost any area that one cares to think of.

However, not all Calor's attempts at broadening its markets have been successful, and an earlier white hope that cars would soon be running on LPG came to nothing.

Also in the name of efficiency, the management structure has been withdrawn and decentralised. "I was a fat spider in the middle of a web calling all the shots," says Mitchell. "That was not bad when you are bringing about major changes, but is not good for developing good general managers."

Now autonomy has been passed down to regional level, where managers, like everyone else in the company, work under a complex system of incentives. They are rewarded if they can increase the return on capital, while all other staff are given different objectives to meet. A good salesman can earn up to £18,000 a year in commission alone, while prizes in both money and silver platters, swords and pictures in the company magazine go to anyone who has done especially well.

The transformation of the company into a more responsive machine was prompted not just by recession, but by a sharp increase in competition. Ten years ago there were less than 10 companies distributing LPG. Now there are over 80.

Despite the entry of new players, Calor has held onto its market share, and about two-thirds of the container market and a bit more than half of the bulk market.

Although it charges about £10 more a tonne than the competition, it gets away with the higher price by promising a better service. It is not a pure commodity business, says Calor —much depends on customer service. In this, Calor claims an edge over both the little family companies, because it has greater resources, and the majors, for which LPG is low on the list of priorities (it accounts for only 2 per cent of a barrel of crude).

While far from smug, Mitchell says that the remedial work needed at Calor has been done, and so long as new markets continue to emerge, real volume growth of 5 per cent a year is within reach.

Increasingly he is turning his attention to other things, such as retailing. About a dozen specialised Calor Shops have been opened in high streets. Calor appliances are increasingly becoming available at British Gas showrooms, and a programme is under way to smarten up the showrooms of Calor's own numerous dealers.

This is not enough, say the Berkeley brothers, who argue that Calor is missing great retail opportunities. But Calor replies that it cannot compete with its dealers.

Instead it has made a surprise move into an apparently unrelated sort of retailing, and has just opened a superstore selling sports goods in North London. Calor is approaching this venture with some caution. If it works, it will build more, if not, it will not.

Sony

Begging more questions than he answers

Carla Rapoport reviews Akio Morita's autobiography

AUTOBIOGRAPHY, by its very nature, is an exercise in self-indulgence. But Akio Morita in Made in Japan* takes the exercise to a new extreme.

In his best-selling autobiography, Lee Iacocca of Chrysler managed to mix in his self-congratulation with rib-tickling gossip and backroom drama. Morita, chairman of Sony and one of the best known Japanese businessmen in the world, manages mainly the congratulations.

Morita's early days as the child of a wealthy Japanese family and his experiences as a young naval officer are treated all too briefly in this book. The early days of Sony also go by too quickly. There is little musing on the Japan then and now, nor on the characters, prime ministers and dignitaries met along the way.

Some of the self-congratulation of course, is warranted. For example, Western Electric told Morita that the only possible consumer use for the transistor was the hearing aid. Sony's innovations in television and audio products are of world renown.

Both the company and the country are among the world's post-war miracles but, unfortunately, Morita adds little to the accepted wisdom on either. The chapters on trade and Japan and the World range from preachy to infuriating. A fair amount of the information is misleading or out-of-date.

Further, according to another book recently published in the US, Breakthroughs!†, Morita has reinterpreted some crucial periods in Sony's history to suit himself. This is expected in autobiography, but here it weakens the story and begs more questions than it answers.

The best example is Sony's Betamax, the company's pioneering home video tape recorder, which, despite a healthy lead on all competitors, has now sunk to near obscurity in the consumer market. Morita gives mega-flop two sentences and then manages to treat the product as a success. "We were justifiably proud of Betamax," he says.

On the same page, he goes into the RCA failure with video discs and TI's failure to recognise that the transistor could be used in small radios. A few paragraphs later, he jibes at CBS's early attempts at video recording, running down the legendary Bill Paley and the entire CBS board as "novices at engineering technology with no way to judge the invention."

This is not delicious gossip, it is just bitchy one-upmanship. A more detailed account of the VCR story is provided in an international study on innovation by Ranganath Nayak and John Ketteringham of the consultants Arthur D. Little, called Breakthroughs!† The hero of the story is JVC, not Sony, for developing a VCR more suited to consumers' and manufacturers' taste. While not the first format, JVC's model offered a two-hour tape, not one-hour which Betamax offered initially. This and other advantages persuaded heavyweights like Hitachi, Sharp, Mitsubishi and Matsushita Electric, the industry's giant, to line up with the JVC machine and turn away from Sony.

Legends

Even Morita's story of one of his greatest triumphs, the Walkman, is hard to believe. The supporting staff gets barely a mention; one gets the impression that without Morita the Walkman would never have been born. In a special chapter on the Walkman, Breakthroughs!' authors state: "Morita smiles mischievously at the fabric of legends he has created among gullible journalists" [about the Walkman]. The book then goes on to describe in fascinating detail the full story, complete with Morita's insistence on a launch price which guaranteed a loss of $35 on each Walkman sold. A cast of talented Sony characters is unrolled, each of whom appeared indispensable to the project.

Why should another book contain more details on two of the most interesting product launches of the last 15 years? And in the context of explaining Japanese work practices, why should Morita inform us: "We Japanese are, after all, human beings, with much in common with people everywhere"?

Where he does make interesting points, such as the innate conservatism of sales forces, he neglects to give examples. And on the touchy subject of trade, he is critical of Japan in only the most obtuse way, saying, for example: "I have been lobbying in Japan to increase healthy competition by eliminating government intervention through old regulations that still exist." What old regulations? And lobbying whom?

Japan's major exporters are currently facing the biggest challenge since the 1973 oil shock: the appreciation of the yen. Electronics companies, not just steel companies, are announcing lay-offs weekly. Yet Morita claims that Japanese companies do not lay-off workers, for fear of harming the company spirit. Japanese companies plan ahead, he says, pointing to the relentless build-up of the Japanese semiconductor industry despite a slump in demand in 1985. He apparently has already forgotten the disastrous recent course of this investment which led to a bitter semiconductor trade war between the US and Japan which was only settled when a stringent price monitoring and capacity cutback agreement was enforced on the industry by the Japanese government.

In the era of the high yen, export-orientated companies like Sony are having to shift their gears. Japan's defence spending is now going up. Consumer electronics firms are swiftly diversifying into industrial electronics aimed at supplying the domestic market. Sony missed the boat on computers and office equipment years ago, a subject which Morita dismisses with little comment. The company has recently embarked on a huge push to sell a new VCR format, the smallest compact 8mm, in an effort to win back this market. Perhaps when this struggle is won or lost, Morita will write a more revealing account of what happened.

** Collins, £12.95. † Rawson Associates, $16.95.*

THE ARTS

Opera 80 in Swindon

Max Loppert

The first of 17 stops on the current Opera 80 touring schedule was the Wyvern Theatre, Swindon. I caught last week's opening performances of *Rigoletto* and *Cenerentola* — new productions both — and thought the latter a lustrous small gem. Many grander Rossini affairs, cast with more famous names and supported by larger orchestras, catch the charm, the wit, and the compassion of the piece less roundly. Richard Osborne's recent Rossini study calls *Cenerentola* "an essay in comic pathos." In this light, affectionate, very musical account of it, both the comedy and the pathos come out winningly well balanced.

The production is by Wilfred Judd, who has also supplied an extremely enjoyable new translation, racy yet also delicate in tone (I'm only sorry that on one occasion Mr Judd rhymes "town" with "found"). His designer, David Short, transforms the Magnifico household into a warm-toned domestic scene out of goya, lit from the footlights and complete with pendent bird-cage. As well as being a delight to the eye the set can be speedily changed (the ball scene is no less cunningly patterned); and as a background for actions touched off with bright comic humour that never descends into mechanised caricature, it is a touring *mise-en-scène* difficult to imagine equalled.

This is a "conventional" *Cenerentola* in the good sense of being true to the implications, not just the letter, of both words and notes—and, withal, freshly so. Perhaps the greatest source of freshness is tapped, as it always should be but often isn't, by the conductor. When the slow opening of the overture is phrased in a way to make the bassoon solo "speak" with lyrical rubato, one's ears prick up immediately; and when the same smiling woodwind tones of voice are then picked up in the lively but un-hectic *allgro* main section, it becomes evident that Rossinian musical values are in for a proper stylistic appraisal. Clearly, young Ivor Bolton is an opera conductor to watch. Even where ensemble becomes untidy he keeps with the singers, encourages them, responds to them. The gentle sparkle of the whole show was, I've no doubt, a function of its singing quality.

The young cast has been chosen with expert care: no aspirated semiquavers are heard, no fudging and pecking at the notes or, indeed, the words. Brilliant virtuosity is hardly to be hoped for at Opera 80 level, yet how specially gratifying is this all-round accomplishment. As sung by Philip Guy-Bromley the big aria of the tutor Alidoro is a treat, not the usual trial; George Mosley's Dandini patters away in a nimble, focused light baritone.

Allison Hagley (Clorinda) has the sharp profile, both facial and vocal, of a young Jennifer Vyvyan—this is intended as high praise. To judge from Ramiro's rounded phrases and his confident handling of the difficult tessitura, Alasdair Elliott is promised a bright future as a Rossini *tenore di grazia*. In the title role Sharon Cooper, perhaps an inch or two too tall to be the ideal Cinderella, uses her height and her costume to good advantage in the ball. Her mezzo is interestingly coloured, not yet smooth in all registers (traces of hoot lower down need to be erased) but capable of surprising verve in florid phrases. The last Opera 80 shot at Rossini—the 1885 *Italiana*—was a botch. Amends are now made.

I had high hopes of *Rigoletto*: the previous Opera 80 production by Richard Jones, *The Rake's Progress*, was a winner, and so was his *Mignon* at Wexford last year. Verdi, a harder taskmaster than Stravinsky and Ambroise Thomas, has been notably less authoritatively served. There remain the imaginative Jones fingerprints—images drawn from 19th century theatre prints, a bold reliance on footlights, the selective use of physical immobility—but their trace becomes blurred. The set is a mess, and the appearance of puppets, ladders, and an upper walkway lands the plot in awkwardnesses of an entirely self-made sort.

At bottom I'm not persuaded that Mr Jones has sorted out in his mind what *Rigoletto* is really about—or, if he has, that he has concentrated his findings into practical, effective stage action. Good moments from Paul Nilon (Duke of Mantua) and Lynne Davies (Gilda); an honest but rather dry, throaty, hunchback from Christopher Thornton-Holmes; capable conducting from David Parry, who has also provided the translation. For all its flaws the Opera 80 *Rigoletto* is worth seeking out; but *Cenerentola* is this year's prize.

English Chamber Orchestra

Andrew Clements

The Elizabeth Hall is under reconstruction. While an orchestra pit is excavated, the temporary stage used for the Opera Factory productions last summer has been restored, and nine rows of stalls seating have gone, apparently for ever. So what appeared to be a press seat comfortably placed in the centre of the stalls block for Thursday's concert by the English Chamber Orchestra proved to be just eight feet from the first violins.

While that allowed a fascinating survey of the footwear of London's orchestral musicians (and surprisingly diverse it is) it did not give an ideal perspective on Jeffrey Tate's Mozart. I cannot report on the tonal balance or overall effect of the E flat Symphony K.549; it appeared an urgent, possibly hard-driven account, alertly played — more than that it's difficult to add.

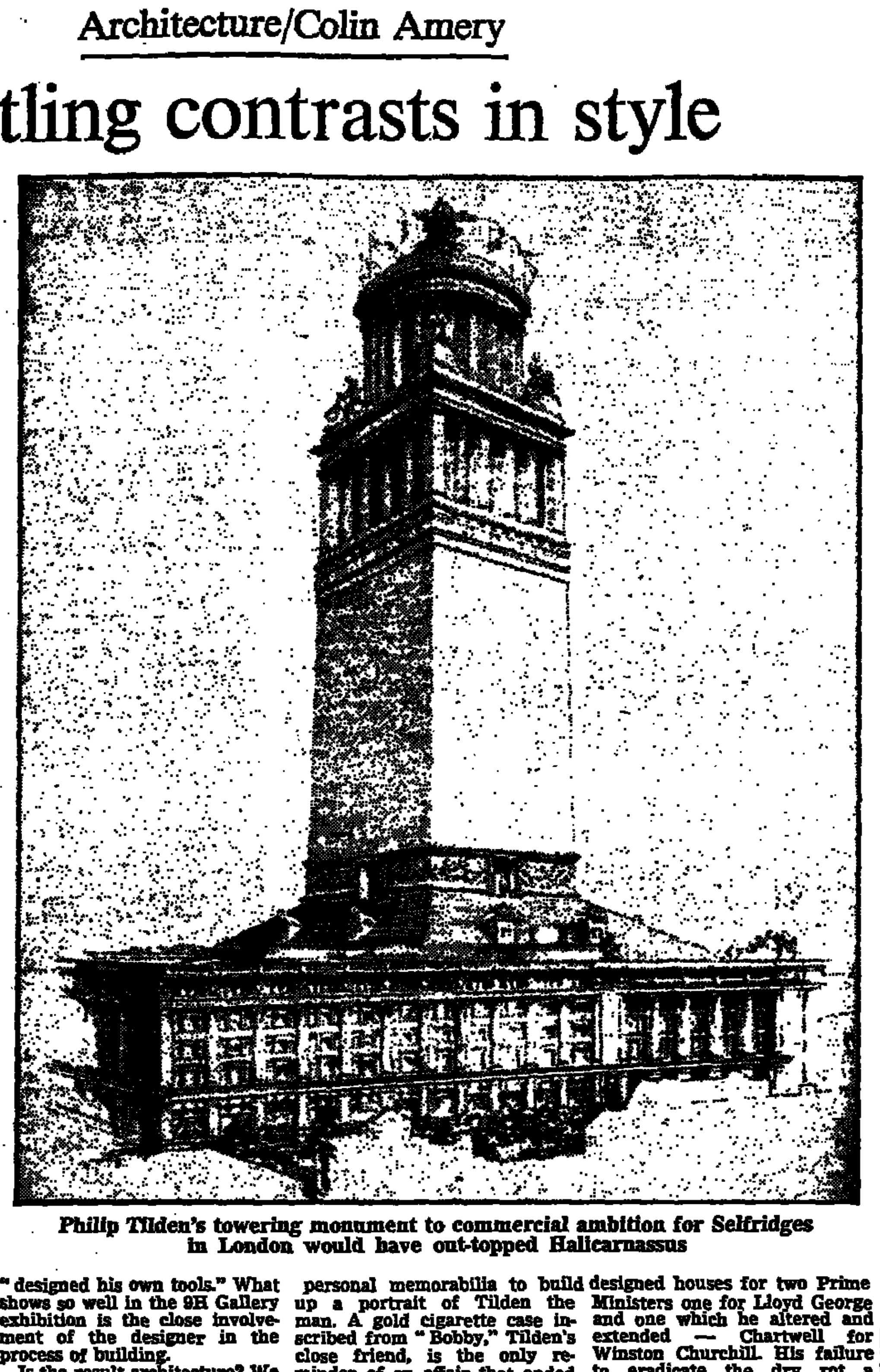
Retreating farther up the hall brought a better perspective on Thomas Allen's singing of Mahler—though not a better view: the QEH's new hi-tech lighting array proved incapable of illuminating the baritone's face. Whatever he had done to the Mozart symphoney, Tate provided vivid orchestral coloration for *Lieder eines fahrenden Gesellen* — jabbing interpolations to "Wenn mein Schatz Hochzeit macht," urgent refrains for "Ich hab' ein glühend Messer."

Allen was most at home in the broader dramatic canvas of "Ich hab' ein glühend Messer"; the superfically simple lyric of "Ging heut Morgen übers Feld" moved less easily, while the tessitura of parts of "Die zwei blauen Augen" seemed to lie awkwardly for him. But two songs from *Das knaben Wunderhorn* were thoroughly convincing: "Der Tambourg'sell" had a crispy cut profile and unerring characterisation.

Conducting Schoenberg's *Verklärte Nacht* with a string section of the dimensions of the ECO becomes neither fish nor fowl: the exposed musculature of the sextet version is lost, together with its sense of tightly confined expressiveness, while there is none of the compensating lushness or fine terracing of dynamics a full symphonic string orchestra can provide. Tate's account was eloquently shaped, finely paced, but lacked definition.

Architecture/Colin Amery

Startling contrasts in style



Philip Tilden's towering monument to commercial ambition for Selfridges in London would have out-topped Halicarnassus

In London there are two architectural exhibitions that offer a startling contrast, both in the way we look at the architectural process and the way that we consider architectural history. *Renzo Piano: The Process of Architecture*, is at the 9H Gallery, 26-28, Cramer Street, London, W1 (12.30 to 6.00 pm weekdays, 2.00 to 6.00 pm weekends) until February 15.

Renzo Piano is an Italian architect best known in this country as Richard Rogers' partner for the design of the Pompidou Centre in Paris. Since then he has developed along an unusual path—one of the few architects who consciously develops and experiments with materials and design solutions in his own "building workshops." He has offices in Genoa, Houston and Paris where he works extremely closely with his clients.

The London exhibition—one of the most intelligent and stimulating exhibitions I have seen for a long time—concentrates on five recent buildings and projects. The selection is diverse: the *De Menil Foundation* museum in Houston; the theatrical installation for Luigi Nono's new opera *Il Prometeo*; housing at Corciano; a new project for a sports stadium in Ravenna; and a travelling exhibition pavilion for IBM.

Each of these projects is illustrated by drawings, and the usual sketches and photographs. There is, however, an additional element—some of the prototype structural elements are included in the show to illustrate the individual inventiveness of each project.

The setting for the Nono opera reverses the usual operatic conventions and is, in fact, a large wooden box in which the spectators sit surrounded by the musicians. The model of this structure is in the exhibition and has all the qualities of a giant musical instrument. At the same time the influence of the Genoese shipbuilding world is clearly evident in the laminated hull-like structure, that supports the secondary structure which is made of steel.

There are moveable wooden panels that fit on to the steel and can be moved to "tune" the whole ensemble.

Renzo Piano was commissioned by Dominque de Menil in 1981 to design a new museum in Houston to house a large collection of Symbolist and African primitive art—it will be opened in April this year.

The revolutionary aspect of this design has arisen out of the special requirement to provide natural light to the exhibition halls that is also filtered and made safe to ensure there is no light damage to the works. Piano has designed a leaf of ferro-cement that is repeated 300 times across the top of the building to give shelter from the strong light. This gives the museum an extraordinary elegance while achieving a satisfactory functional solution. Clearly when it opens the museum will be of enormous importance both in architectural terms and in the field of art conservation.

Natural forms act as an inspiration to Piano, and his project for the sports arena for Ravenna has a suspended roof structure in the form of a beautiful scallop shell. A model of this form is displayed alongside the drawings.

Piano has said that he came to architecture through the building site rather than through the intellectual route — and feels that this has enabled him to overcome the gap between thinking and doing that so clearly affects many architects. His favourite architect from the past is Brunelleschi because he "designed his own tools." What shows so well in the 9H Gallery exhibition is the close involvement of the designer in the process of building.

Is the result architecture? We are coming to see the imagery of high-tech and constructivist architecture as something more than just an exposure of the parts that make up a building. The time will come when these new processes will acquire a cultural meaning of their own.

This excellent exhibition provides an opportunity to see a great modern master asking the key questions and giving very clear, if controversial, answers.

Lush and Luxurious is the title of the exhibition at the RIBA Heinz Gallery, 21, Portman Square, London, W1 (until February 21), about the work of Philip Tilden. The exhibition is sponsored by Selfridges, Mr John Aspinall and *Country Life* and there is a good catalogue and account of the life of this fascinating character, written and compiled by the exhibition organiser James Bettley.

Philip Tilden was born 100 years ago and died in 1956. He was a highly fashionable English country house architect. In the 1920s he was very smart indeed but he continued to practise until well after the Second World War gaining something of an unfortunate reputation for his skilful lopping off of undesirable Victorian wings of country houses and other schemes to make post-war country house life more practical.

Tilden was one of those peculiarly English characters—an artist from a middle-class background with a strong sense of fantasy about the aristocratic life. This exhibition has enough personal memorabilia to build up a portrait of Tilden the man. A gold cigarette case inscribed from "Bobby," Tilden's close friend, is the only reminder of an affair that ended when Bobby was killed in an accident.

Bobby was Robert de Rustafjell and after his death Tilden married his mother who was to care for Tilden until his death.

The exhibition does capture effectively a world that was rare and exotic—one that was ideally suited to the kinds of settings that Tilden was well able to design. His two clients, Gordon Selfridge and Sir Philip Sassoon, gave his fantasies every chance to match their own. Selfridge wanted a castle on the cliffs of Hengistbury Head in Hampshire (now Dorset).

In fact Selfridge wanted a series of castle's in a variety of styles grouped together on the white cliffs. Tilden's scheme for the Oxford Street shop was wonderfully grandiose but, like the castles, sadly unexecuted. Tilden proposed a tower which would have been the tallest building in London on top of the store.

The schemes for Sassoon were built and Port Lympne in Kent, remains Tilden's finest monument. The giant flight of steps that runs up the cliff is topped by temples—there is more than a little Hollywood here.

The list of Tilden's clients is impressive as a picture of a certain pre-war world: Lord Ivor Spencer-Churchill, for whom he altered number 12 North Audley Street, Rosamond, Lady Ridley — a house on Box Hill, Dudley Ward's house in Portland Place. Tilden must be one of the few architects to have designed houses for two Prime Ministers one for Lloyd George and one which he altered and extended — Chartwell for Winston Churchill. His failure to eradicate the dry rot a Chartwell did not endear him to Churchill although he produced a house the great man liked a great deal.

After the Second World War Tilden was summoned by the King and Queen to see if he could design a new house from the fire-damaged Sunninghill Park for the then Princess Elizabeth and her husband. There is a wonderful Tilden letter on show in the exhibition describing his meeting with the King and Queen. It gives a curious view of King George VI who thought the young couple should set a national example in the post-war years and live in, "a sort of a prefab." Nothing came of this meeting.

There are those who think that Tilden spoilt too many houses after the war, when he was trying to adapt them to servantless times. He was responsible for suggesting the demolition of the Big House at Bowood—although he was not responsible for actually executing these plans. He did spoil Luton Hoo by turning a large part of the house into a dull museum, and he took a good wing by Bryce off Cortachy Castle in Angus. Hilden saw his post-war role as that of a "plastic surgeon" . . . "removing growths, rejuvenating and reducing."

The exhibition at the Heinz Gallery is much to be commended as an evocative portrait of an imaginative if not major talent, and is particularly intriguing as a slice of recent but forgotten history.

Der Rosenkavalier/Covent Garden

David Murray

Opera lovers with happy memories of this *Rosenkavalier*—John Schlesinger's production—when it was new, just over two years ago, need have no doubts about the current revival at Covent Garden. It has several new singers and a new conductor, so it feels different; but it is a lovely performance, heartfelt and richly detailed, giving no licence for indivious comparisons. William Dudley's sumptuous sets and Maria Björnson's apt costumes look like long-term assets.

Memories of Felicity Lott, the new Marschallin, when she was a languid, golden Octavian at Glyndebourne don't get in the way either. She is transformed: her formidable poise is wedded to sweet authority, easy sophistication—and vulnerable maturity. She even contrives to look a trifle haggard at moments (radiantly, of course). Best of all, she has a dramatic command of her German—without prejudice to her melting soprano timbre—which is outstanding, a new clarity and bite that permit her innumerable effective subtleties. Musically she seems to me faultless, and in many more places than the usual ones she is extremely moving. These are the rewards of a totally thought-through performance by an artist in her prime.

She and her Octavian, Ann Murray, play to each other with the sympathy that comes from a long musical comradeship. It just about overcomes the awkwardness of their stage match, which is that Miss Lott is very tall and Miss Murray is not, and furthermore she is the least butch of mezzos. Her Mariandel-act suggests a clever aunt impersonating a simpleton maid, and though as Knight of the Rose her costume becomes her she gets no nearer the patrician teenage lad than maybe Count Orlofsky. That said, her dignity and psychological truth are sterling, and she sang nobly in all of Octavian's serious music.

Barbara Bonn repeats her winning Sophie, from her first distracted appearance wringing a rosary to helpless bafflement and delight at the end. Her high soprano is stylish and pretty, though perhaps a degree below her best form on the first night (a little tight at the top, and three big breaths in "Wie himmlische . . ." is too many). Hans Sotin's distinguished bass seems faintly rusted from his recent illness, too, but the cultivated expertise of his singing remains splendid, and he uses it to splendid dramatic effect as Baron Ochs. He is blunt and kindly, gross but never grotesque; his satyr-leer indicates retarded adolescence, not seamy lechery.

Bringing in Arthur Davies as the Italian Tenor proves a worthwhile extravagance. As Sophie's father Faninal, Gottfried Hornik looks as if a production with different emphases would accommodate him better: promising touches of comic inability to cope are not developed. Robert Tear's Valzacchi is not the yapping intriguer of Strauss's music, but something more mysterious and dense, almost a Tippett magus; Eirian James is a much showier, brighter Annina. The smaller roles are cast uniformly from strength.

The conductor Bernard Haitink secures a steady, serene glow for the score, and is wonderfully sympathetic with his singers. I could have used a few more extrovert orchestral touches near the start (Strauss is not reticent with his band), but Haitink kept the music for the risky Act 3 farce brilliantly fleet, without a *longueur* to be detected. The great Trio was superbly shaped. I regret Schlesinger's understandable attempt to break up Act 3 into separate intimate scenes: it matters that until the closing duet, everybody has to conduct the intimacies in reluctant company (and not merely, as here, with omnipresent supernumeraries). The misjudgment is outweighed by many more helpful ideas, and a friendly respect for *Rosenkavalier* tradition.

In few operas are the words so important, and some readers will be glad to know that three of the remaining performances will have projected surtitles. John McMurray's programme-summary of the action is, however, a model of its kind—full of relevant detail and insight: it would be quite enough to be going on with.

Three Men on a Horse/Cottesloe

Martin Hoyle

On July 25 George Abbott will be 100 years-old. To mark the entry of this Broadway legend—actor, author, director, producer—into his second century, the National Theatre has revived the 1935 comedy he wrote with John Cecil Holm. Amiable, chuckling and good-natured, it proves the right gift for a centenarian: not too violent, and certainly unlikely to crack fragile old ribs with laughter.

It makes a cheerful couple of hours in the Cottesloe (please, NT, don't move it to a larger auditorium). The fact that it served as a basis for no less than two musicals perhaps indicates its weakness, a lack of the unstoppable comic gusto of British farce at its best or the snappy speed of American comedy. In Jonathan Lynn's production, the piece just falls to achieve either, if only by a whisker; and at moments one feels a fizzy, bustling dance routine would get it off the launching pad.

Mild little Erwin Trowbridge, a evrsifier for a greetings-card company, has the uncanny knack of picking the winners for horse races. He falls alcoholically among professional gamblers. These Runyonesque punters, much moved by his Mother's Day poems, cherish their newly-found human goldmine. Their attempts to humour him, setting up his own greetings-card business or trying to recreate in a seedy hotel-room the ideal conditions for psychic inspiration (he functions best on the bus between home and work) provide much of the comedy: innocent Erwin loves his underpaid steady drudgery, is appalled by the prospect of independence, and has never even bet on a horse anyway.

Meanwhile, reporters besiege his distracted wife and her bullying brother, thrilled at the disappearance of a suburban card bard, and it becomes apparent that the play lacks both a coherent, driving narrative line and a true climax. Some characters are simply undeveloped (Nicholas Le Prevost's speculative brother-in-law tries too ferociously to be funny) or brought in as amusing turns, like Erwin's tyrannical boss.

One is too often reminded of British actors' lack of punchy attack, notably when the raucous journalists invade the bereaved household. Scenes that read well fall slightly flat in performance through an absence of incisiveness, the inability to gauge the balance between weight and casualness of one-liners or throwaway remarks.

Pleasures remain — the play is never less than enjoyable — and chief among them is Geoffrey Hutchings as the reluctant oracle. Sleepily endearing, his voice pitched permanently on a note of quavering uncertainty, he gives a beautiful comic performance that like all great comedy is unwaveringly serious. As the moll of one of the near-gangster gamblers, Gemma Craven steers too near the knowing and consciously droll. This actress must one day realise how much funnier she can be when not letting on how funny she finds herself. As it is, her proud recollection — and execution — of the "specialty" she once performed when a chorine in the Follies (in her underwear, naturally) is blissfully unexaggerated, both amusing and touching.

Allson Fiske's bewildered wife has moments funny enough to make one want a more focused characterisation, whether from the writing or the directing. No complaints about the trio of finely-judged horseflesh-fanciers: Ken Stott is splendid as their ringleader, Cyril Shaps, shrivelled and weasel-like, and the adipose aggro flabbily lapping a heart of schmaltz, from Desmond Barrit, worthy of *Guys and Dolls*.

Road/Royal Court

Claire Armitstead

Someone not a million miles away from the Royal Court once wrote a song called "What a Waste," which presumably has something to do with his presence in the cast of *Road*. Jim Cartwright's slice of Lancashire life is all about waste: of old people raddled by one Saturday night too many and young ones who live for nothing else.

The decision to cast Ian Dury as the down-at-heel master of ceremonies in this touring production of the show that carried off last year's George Devine award for new writing is an interesting one, however much one suspects the underlying motives to be pecuniary. Dury is essentially a working class hero, with a persona that exudes vulnerability beneath a tough-guy exterior. But he is significantly not a Northerner.

Neither, thankfully, does he pretend to be one. Instead, we have a jaunty cockney, who glides gently from scene to scene, not rushing with shopping trolley, as Edward Tudor Pole was reported by my colleague Martin Hoyle to have done as the original Scullery, but with a cheeky, warm grin that defies comparison. There is even a joke at one point in the first act about Scullery's strange resemblance to a famous star. It is a credit to the play — and to Simon Curtis' direction — that it can accommodate such liberties. The promenade setting, with audience rubbing shoulder to shoulder with cast, destroys any distance that might have resulted.

Of the play itself enough has been said to fill a dictionary with superlatives. The writing is tough, funny, bitter, often—as in a harrowing scene when a not-so-young lass romances a sick-drunk soldier—all at the same time. Susan Brown and Mossie Smith are the sole survivors of the original cast, but they are joined by four others who absorb the desolate atmosphere.

Arts Guide

Music/Monday. Opera and Ballet/Tuesday. Theatre/Wednesday. Exhibitions/Thursday. A selective guide to all the Arts appears each Friday.

January 23–29

Music

LONDON

English Chamber Orchestra conducted by Jeffrey Tate with Jard van Nes, mezzo-soprano. Mozart, Mahler and Strauss. Queen Elizabeth Hall (Mon). (928 3191).

Chamber Orchestra of Europe conducted by Lorin Maazel with Gidon Kremer, violin and Arleen Auger, soprano. Mozart. Royal Festival Hall (Tue). (928 3191).

City of Birmingham Symphony Orchestra conducted by Simon Rattle. Sibelius and Mahler. Royal Festival Hall (Wed).

Pinchas Zukerman, violin and conductor, with the English Chamber Orchestra. Rossini, Schubert and Beethoven. Royal Festival Hall (Thur).

Academy of St. Martin-in-the-Fields conducted by Iona Brown, violin. Purcell, Holst, Vaughan Williams, Mendelssohn and Elgar. Queen Elizabeth Hall (Thur).

PARIS

Brigitte Fassbänder, mezzo-soprano, Irwin Gage, piano: Schumann (Mon). Theatre de L'Athenee (4742 6727).

Ensemble Intercontemporain conducted by Pierre Boulez and Peter Eotvos: Karlheinz Stockhausen, Iannis Xenakis, Luciano Berio, Olivier Messiaen (Mon). Theatre de la Ville (4261 5675).

Ensemble Orchestral de Paris conducted by Jean-Pierre Wallez; Michel Beroff, Jean-Philippe Collard, pianos; Bruno Rigutto, Gabriel Tacchino, pianos: Bach Concertos (Tue). Salle Pleyel (4561 0630).

Gerard Gahnassia, piano: Beethoven, Schubert, Gershwin, Da Falla (Tue). Salle Gaveau (4563 2030).

Mikhail Rudy, piano: Chopin, Ravel, Prokofiev (Tue). Brahms, Liszt, Schubert (Wed). Both concerts at 8.30pm. Theatre de la Ville (4261 5675).

Orchestre de Paris conducted by Carlo Maria Giulini: Bruckner 8 (Wed, Thur). Salle Pleyel (4561 0630).

Nouvel Orchestre Philharmonique and Radio France Choir conducted by Marek Janowski, Peter Donohoe, piano: Busoni, Schmitt (Thur), Radio France, Grand Auditoire (4524 1516).

BRUSSELS

Palais des Beaux Arts: Lieder recital by Anthony Rolfe Johnson with Graham Johnson, piano: Beethoven, Schumann, Poulenc, Britten. (Wed). (512 50 45).

Musee Instrumentale: Dominique Mols, soprano and Guy Penson, harpsichord and piano: Monteverdi, Gibbons, Purcell, Mozart, Donizetti (Wed). (511 35 95).

ITALY

Milan: Teatro Dell'Opera: Verdi – Cesar Franck and Schumann, Salvatore Accardo (violin), Michele Campanella (piano), Margaret Batjer (violin), Toby Hoffman (viola), and Peter Wiley (cello). (Mon). (80 91 26).

NETHERLANDS

Amsterdam, Concertgebouw. Hartmut Haenchen conducting the Netherlands Philharmonic, with Peter Rösel, piano: Samama, Rachmaninov, Mendelssohn (Tue, Wed). Recital Hall: The Amsterdam Bach Soloists (Tue). Piano recital by Margaret Mills: Schumann, Wilson, Mozart, Newman (Wed). Hans Peter Blochwitz, tenor, accompanied by Cord Garben: Schubert (Thur). (71 83 45).

Rotterdam, Doelen. Organ recital by Arie Keijzer: Bach, Mendelssohn, Keijzer (Mon). The Amadeus Ensemble and soloists und Marien van Staalen: Mozart (Tue). Recital Hall: The Arion Ensemble conducted by Alexandru Lascae, with Isabelle van Keulen, violin: Vivaldi (Tue). Vocal works by Schubert, Haydn, Kreutzer, Salieri, Randhartinger (Wed). (414 29 11).

Amsterdam, Maison Descartes. The Edmond Clement Group: Berlioz, Fauré, Hahn, Ravel, Gounod (Thur). (22 49 36).

Maastricht, Cultureel Centrum. The Gilas Trio: Beethoven (Wed). (21 33 00).

VIENNA

Valeri Afanassiev, piano. Brahms, Schubert. Konzerthaus Mozart Saal (72 12 11). (Mon).

Vienna Symphony Orchestra conducted by Eugen Jochum with Elisabeth Leonskaja, piano. Mozart, Schuber Konzerthaus (Tue and Wed).

Krystian Zimerman, piano: Chopin, Schumann. Musikverein (Thur).

Beaux-Arts Trio. Beethoven. Musikverein Brahms Saal (65 81 90).

TOKYO

Tokyo Philharmonic Orchestra conducted by Christophe Escher, with Brigitte Engerer, piano. Berlioz, Saint-Saëns, Shostakovich. Tokyo Bunka Kaikan (Thur). (237 9990; 235 9696).

Yomiuri Nippon Symphony Orchestra, conducted by Rafael Frühbeck de Burgos. Mahler. Tokyo Bunka Kaikan (Mon). (270 6191)

Contemporary Music: New Japan Philharmonic Orchestra conducted by Kazuhiko Matsui in works by Kako, Ponty, McLaughlin (Tue); All-Toru Takemitsu programme. New Japan Philharmonic Orchestra conducted by Hikaru Hayashi (Wed). Kan-i Hoken Hall, U-Port Bldg, Gotanda (403 2400).

NEW YORK

New York Philharmonic (Avery Fisher Hall): Erich Leinsdorf conducting, Kathleen Battle soprano. Strauss, Couperin/Strauss, Beethoven (Tue); Kurt Masur conducting, Horacio Gutierrez piano with New York Choral Artists directed by Joseph Flummerfelt. Chopin, Liszt (Thur). Lincoln Center (874 2424).

Carnegie Hall: Andrei Gavrilov piano recital. Schumann, Schubert (Wed). (247 7800).

Juilliard Concerts (IBM Gallery): Cavalli Trio. Mozart, Loiellet and Brahms for piano trio. (Wed, 12.30 pm). 56th & Madison.

WASHINGTON

National Symphony (Concert Hall): Edo de Waart conducting, Nigel Kennedy violin. Elgar, Bruch (Tue); Hugo Wolff conducting, Mstislav Rostropovich, cello. Schumann, Bloch, Dvořák (Thur). Kennedy Center (254 3776).

CHICAGO

Royal Philharmonic (Orchestra Hall): Vladimir Ashkenazy conducting and piano. Berlioz, Beethoven, Shostakovich (Tue). (435 8111).

FINANCIAL TIMES
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Monday January 26 1987

Helmut Kohl's limp success

DR HELMUT KOHL's Bonn coalition duly won its electoral victory yesterday with the revealing slogan of "Keep it up, Germany." The victory is an "as you were" from the voters, but, given the palpable affluence of the Federal Republic, it is surprisingly limp.

The unexpectedly strong, though not brilliant, showing of the Social Democratic Party, protagonist of the left, may prove no less important for the future of the Federal Republic. Mr Johannes Rau, its candidate for the Chancellorship, had positioned himself close to the political centre.

By doing better than expected he will have increased the power of the moderates within his party against those who want to break with the fundamental consensus in West German politics behind Nato and a capitalist economy.

To take first the immediate implications of the result, it has confirmed in office a market-oriented government as well as one which, in spite of the occasional squall, has accepted that West Germany needs a tolerable relationship with the Communist East. It has played its due role both in the European Community and in Nato.

The firm support which they received from the electorate ought to permit Dr Kohl and his team to overcome the fears which inhibited their readiness to play a proper part in reforming EEC farm policy and in righting the imbalances of world trade and payments. Though some progress was made in that direction with the revaluation of the D-Mark within the European Monetary System and last week's cut in Bundesbank interest rates, taken together both measures probably left as many questions unanswered as they solved.

Classic support

Yesterday's voting should go some way towards putting paid to fears harboured in some quarters that West Germany is on the point of taking a turn to the right. The Free Democrats, coalition allies of Dr Kohl's Christian Democrats, are assured of a continued role in the Cabinet. The significance is a double one.

First, the Free Democratic Foreign Minister, Mr Hans-Dietrich Genscher, who has taken the internationalist line—for instance in accepting limited sanctions against South Africa—moved to the top of the popularity stakes in public opinion polls during January. Second the Free Democrats, again because of liberal principle, have resisted plans to sharpen criminal procedure rules in order to combat terrorism. The presence of the Free Democrats in the Cabinet would enable them to continue acting as a check on their senior partner.

By denying an absolute majority to the Christian Democrats and their Bavarian sister party, the Christian Social Union, the Free Democrats have reduced or even eliminated the possibility of Mr Franz-Josef Strauss, the Bavarian premier, returning to federal politics in Bonn. Mr Strauss has for long been the bugbear of liberals and of the left, even though his bark is usually worse than his bite—at any rate since the Spiegel affair in 1962. But stung by the very modest success of a really nationalist party in the Bavarian elections last year, Mr Strauss has fallen back on right-wing rhetoric which has gone down badly abroad. Judging by yesterday's results it did not go down too well in West Germany either.

Identity crisis

The Social Democrats might have done better if they had pursued a more consistent line in the year before the polls. In 1986 they picked Mr Rau, the premier of North-Rhine Westphalia, to lead their campaign, because he had handsomely won his local election with an uncompromising refusel to have any truck with the anti-nuclear Greens and the unilateralist nuclear disarmers. The nomination was an attempt to regain a hold on the political centre and to rally the party's classic working class support. But, to Mr Rau's intense embarrassment, the party conference then voted for a phased abandonment of nuclear power and for a withdrawl of US nuclear weapons from West Germany.

That zig-zagging damaged the Social Democrats' standing both among middle-of-the-road voters and amon the environmentally-minded who can be found in all parties.

Mr Rau's good showing yesterday has reduced, but not eliminated, the danger of an identity crisis on the West German left. Political stability would be best served if critics within his party were to accept the lessons of the election. It would also serve the country's interests if Dr Kohl's party were to retain its traditional centrist position. Though the Greens amassed their greatest vote ever, the electorate has not come down for polarisation.

Problems of a double monopoly

BRITISH TELECOM'S engineers are due today to start their first indefinite national strike and their negotiators are to meet BT managers for discussions which will centre on the engineers' dispute. That they are doing both on the same day indicates that this is a dispute of a different hue from the last major national strike, the miners' in 1984-85.

Neither BT engineers nor their union is a militant, vanguardist group. The engineers are among industry's most skilled, technologically-based and entrepreneurial group of employees and in Mr John Golding, leader of their union, the National Communications Union, they have a prominent member of the labour movement's right wing. Yet the dispute does remind the public that despite the outcome of the miners' strike and the Government's labour legislation, the problem of union monopoly power has not gone away.

Industrial muscle

The present dispute is not, as BT is claiming, a surprise. The rapid acceleration of an overtime ban to a full blown strike may be: but for the core of the dispute itself Mr Golding has for months been warning of the likelihood of industrial action. Two ballot results were heavily in favour of taking action.

Although the NCU's case rests on its rejections of the efficiency conditions tied to BT's pay offer rather than on jobs, there are some similarities between the BT dispute and the miners' strike. BT is trying to come to terms with changed commercial realities. It is now in the private sector and is facing limited competition from Mercury. To boost its competitiveness, it is demanding from its engineers more flexible working practices and simpler pay structures and job descriptions. Before today's action it has tried to ensure that the City—one of the main areas of competition from Mercury—has been kept free from disruption.

The union argues with some justice that privatisation has not materially affected BT's dominant position within the market and that its profits reflect this — profits which the NCU says its members helped to generate.

For its part, BT accuses Mr Golding of engineering the dispute, and it is clear that the union and the company were at one point very close to agreement. Certainly the union wants to preserve, and to demonstrate, its industrial muscle. But it also has to pay regard to the damage which a long strike might inflict on the Labour Party in the run-up to an election. There is also the continuing possibility that the Government might seek to limit or outlaw strikes in essential services.

It may be that the pressures on both sides will be enough to bring about a quick settlement. The engineers, most of whom are BT shareholders, will have to take into account both the short-term damage to the business and the long-term risk of further Government action to weaken BT's monopoly power.

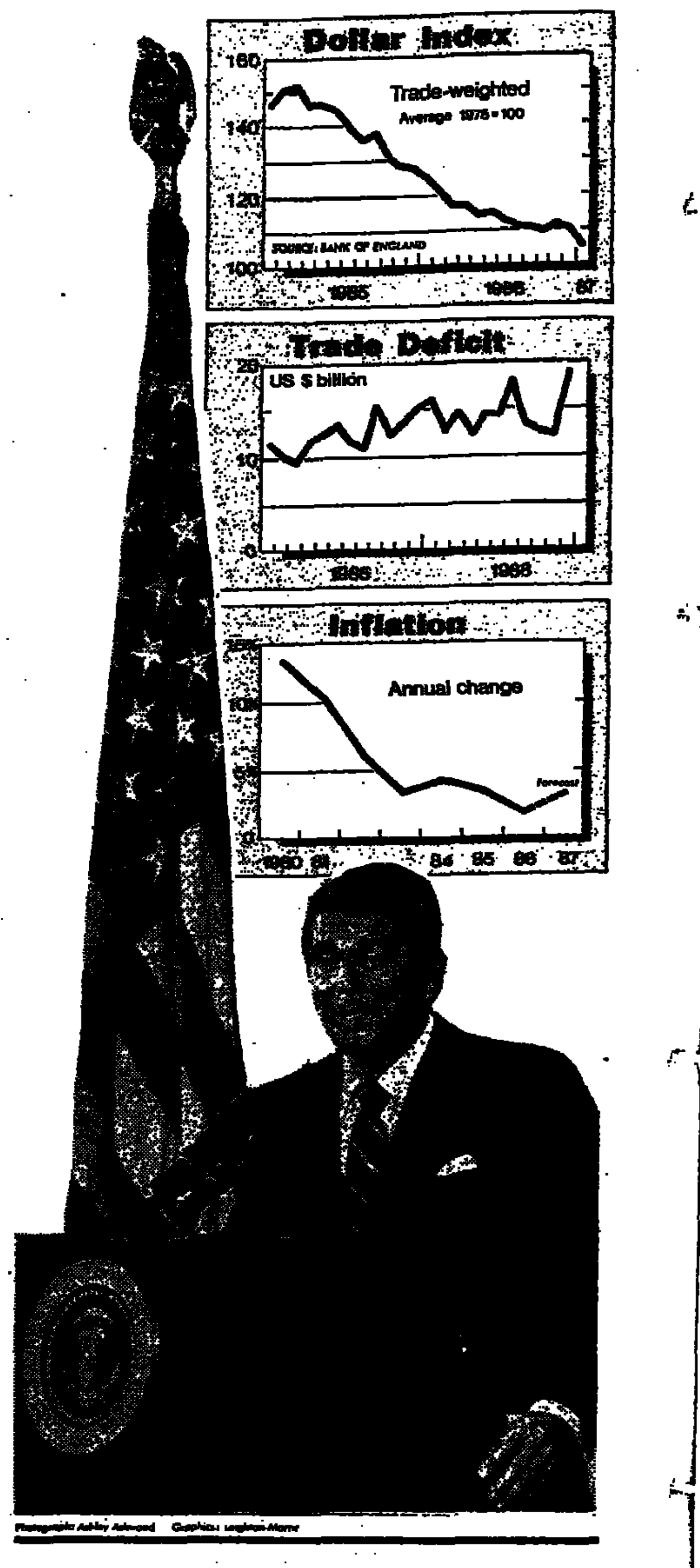
What is clear is that privatisation, without far-reaching changes in industry structure, cannot be relied on to engender more "commercial" attitudes among unions and employees. Unlike, say, British Steel, BT is in no danger of being forced out of business by competition. Even if more rival operators such as Mercury are licensed a substantial degree of monopoly power will remain at the local level. BT could have been split into regional companies, as the Bell system was in the US, but this was not seriously considered. BT itself is trying to decentralise management responsibility, including the handling of industrial relations, to its regions, but the unions are bound to resist any move away from national agreements.

A national monopoly faced by a national union is the worst possible industrial structure. Whatever the outcome of the present dispute, the pressure on the Government and on the Office of Telecommunications to find ways of further reducing or constraining BT's monopoly power will be increased.

THE US ECONOMY

Anxious days for the Republicans

By Stewart Fleming, US Editor in Washington



THE PATIENCE of the Reagan Administration's economic policy makers will be sorely tested over the next six months as they hope that a weakening American economy will be rescued by export-led growth.

Investors in ordinary shares on Wall Street have been blithely assuming that this will happen and that President Ronald Reagan's legacy will include the longest uninterrupted economic expansion in peacetime this century and a firm foundation for the Republican Party's election campaign in 1988. These assumptions, together with the Federal Reserve's easy monetary policy, have been enough to fuel a record-breaking movement of share prices in the last two weeks.

But Mr Reagan's economic advisers, particularly those like Mr James Baker, Treasury Secretary, who have a direct political stake in the 1988 presidential race—Mr Baker backs the candidacy of George Bush—do not appear to share Wall Street's confidence.

Twelve days ago, the New York Times published an exclusive report suggesting that the White House believed that a further decline in the value of the dollar was needed to reduce the US trade deficit. The report helped to trigger a sharp slide in the dollar's value.

This betrayal of nervousness about the economic outlook reminded investors in the dollar and fixed interest securities of the risks ahead. Such is the sensitivity of the markets to political factors that further efforts to talk down the dollar could, if they came at the wrong time (perhaps coupled with anxieties over the composition of the Fed), trigger the kind of alarm which would send the stock market into reverse along with the other financial markets.

The only public outcome of these political jitters was an unconvincing display of economic diplomacy in the form of a hastily convened meeting, in Washington, between Mr Baker and his Japanese opposite number Mr Kiichi Miyazawa.

The resultant very small cuts in Japan's and West Germany's discount rates underscore the limits to economic co-operation.

The nervousness about prospects for economic growth displayed by the Reagan Administration reflects what Mr David Hale, an economist with Kemper Financial Services, describes as a "window of vulnerability" facing the President and his advisers. That vulnerability is economic, but it could have serious political repercussions in a country debating how much further to stray towards protectionist trade policies.

Just how uncertain the outlook is was emphasised last week when the US Commerce Department reported that the American economy grew at a sluggish 1.7 per cent real annual rate in the fourth quarter of 1986. Even this weak performance meant that the economic recovery, which began in the fourth quarter of 1983, had limped into its fifth year, making it the third longest cyclical expansion in the post-war period.

However, this gave no cause for elation. Growth of 2.5 per cent for 1986 was the slowest of the four-year upswing. Moreover, a breakdown of the components of the rise in gross national product (GNP) in the fourth quarter appears to confirm warnings that the aging US trade cycle is beginning to suffer from flagging domestic demand.

Among signs of domestic weakness were a decline in capital spending, which could continue this year, and the first quarterly fall in private consumption since the 1981-82 recession. Unchecked, the downturn could unleash a further decline, since consumption accounts for two thirds of GNP.

Many economists do not expect that to happen, but there is consensus that last year's extraordinary growth in this sector will not be repeated this year. Even if the modest 2.4 per cent real rate of growth projected by economists (surveyed by Blue Chip Economic Indicators) is achieved, a significant reduction in the $170bn-plus trade deficit will be needed.

"Trade developments are going to be the determining factor for the whole economy," says Mr C. Fred Bergsten, Director of the Institute for International Economics — a Washington think tank—and a former assistant secretary for international affairs at the US Treasury.

Mr Bergsten is among the optimistic majority which believes that the badly needed improvement in the trade deficit will come, and that 1987 and 1988 will see the deficit cut by between $30bn and $40bn adding close to 1 percentage point annually to GNP.

On this view, the precipitous decline since the beginning of 1985 in the value of the dollar will belatedly improve the trade balance. Indeed there is evidence that the improvement in volume terms has already begun.

If judgments about a turnaround could be made with confidence, Washington's economic policy-makers would sleep more easily. But the experience of the past two years, which have seen the dollar plunging by more than 40 per cent against the yen and the D-mark without visibly helping to reduce the trade deficit (although it has improved in volume terms) with either country, has raised serious questions about the relationship between currency devaluation and the trade balance.

If, for example, the apparent improvement in the trade deficit did not materialise in the first half of the year and the consumer spending slowdown continued for a few months, the US could be in for, at best, what one economist describes as a mini-recession — a quarter without growing; at worst, a fully fledged recession.

Some US officials wonder where a take-off in exports can come from. Capital goods is the sector thought to be most competitive, but a sluggish world economy is not the best environment for equipment sales.

On the import side of the equation, there are fears that exports from Asian developing countries to the US will continue to expand. Most of these nations have not seen their currencies rise sharply against the dollar and could replace Japan as a source of consumer goods.

Underlying these concerns is the difficulty of reducing the US trade deficit when imports—running at close to $400bn a year — are twice the value of exports; and when the policy goal is to achieve a turnaround while keeping the domestic economy expanding.

Since October 1985 Mr Baker has sought a lower dollar to try to improve the competitiveness of US goods. He also wants to demonstrate to a Congress highly critical of White House neglect of the trade issue that action is being taken. He has used the threat of further devaluation to try to put pressure on America's industrial trading partners—in particular West Germany and Japan, whose export-oriented economies have been hit by the rise of their currencies—to boost domestic demand.

The US argument for stronger industrial growth, supported by Mr Paul Volcker, the Federal Reserve chairman, is that this would minimise the extent to which the dollar must fall to improve US trade prospects.

However, there is growing concern that Mr Baker's dollar devaluation strategy is on the verge of backfiring. Mr Gerhard Stoltenberg, the West German Finance Minister, says the dollar is undervalued, a judgment with which Mr Volcker has indirectly associated himself by saying he thinks the dollar has fallen far enough.

There are several concerns. In Japan, where the sharp decline in the dollar has hit exports, there are fears that further dollar devaluation will aggravate the economic negatives.

Some Fed officials, including Governor Wayne Angell, from the farm state of Kansas, are concerned that a further dollar decline will stoke up inflation, cause long-term interest rates to rise and force the Central Bank to adopt a more restrictive monetary policy sooner than would otherwise be the case.

The consensus forecast is that consumer price inflation will rise this year from last year's level of just over 1 per cent to what is seen as the underlying rate of 3 per cent. Some economists fear a rate nearer 4 or 5 per cent is on the cards for the end of the year.

In part these projections reflect the judgment that last year's exceptional performance on inflation was heavily influenced by the decline in oil prices which has now been largely reversed. While inflation was low, Mr Baker's policy of dollar devaluation carried few risks for prices.

But with the dollar down and exporters like Japan suffering the double blow of weak domestic and narrowed profit margins on exports, it is expected they will begin to raise prices in the US to maintain profits, rather than keep prices stable to try to sell more.

There is a growing fear that the dollar has slid to a critical level, from where, as Dr Helmut Schlesinger, Vice-President of the Bundesbank, the West German central bank, argued last week, even relatively small additional falls will have a much more dramatic and dangerous effect. If this is right, Mr Baker's political leverage on his trading partners has increased significantly, but so too have the costs of making a mistake.

The uncertain economic outlook poses considerable problems and leaves Washington's leading economic policy-makers, Mr Baker and Mr Volcker, with some tricky decisions to make.

Mr Volcker has never disguised his concern about the failure of the White House and Congress to resolve the impasse over a federal budget deficit, likely to be between $190bn and $200bn this year, well above the projected $154bn which was reached by Congress largely through accounting gimmicks. The impasse remains as the 1988 budget debate begins in Congress.

But as he looks at the outlook for inflation, it must be assumed that Mr Volcker, who has experienced several currency crises and built his reputation at the Fed as an inflation fighter, will be anxious to avoid committing the classical mistake of post-war US monetary policy—injecting too much money into the economy when growth is reasonably strong and inflation threatening.

Mr Baker no doubt shares these concerns. But even a moderate economic slowdown this year is something he cannot contemplate with equanimity, particularly if it were traced back to the trade and budget deficits.

Depending on the quarter in which it occurred, a slowdown could be reported in the run-up to the primary elections in February 1988, just when Mr Bush, a man already damaged politically by the Iran scandal, is expected to be traipsing through the snows of New Hampshire in search of the Republican Party's presidential nomination.

More immediately a sluggish economy will provide further ammunition for the Democrats, who control Capitol Hill. They argue that the Reagan administration's economic failures are responsible for the country's declining industrial competitiveness and will make it impossible to increase investment in education, which the Democrats have made a central issue.

A serious economic downturn could undoubtedly tip the scales in Congress towards protectionist legislation, in spite of the Democrats' anxieties about that label, and force an administration already taking a harsher line on trade issues to resort to tougher measures such as further tightening regulations on textile imports.

As they scour an otherwise gloomy political horizon for encouragement, Mr Reagan and his Republican allies must hope that the stockmarket's animal instincts are right; and that the President's supporters are not about to pay the price for Mr Reagan's obstinate refusal to correct the fiscal imbalances which just about everyone agrees lie at the root of the US's economic uncertainties.

Men and Matters

Cash for Chicago's futures

It took Karsten "Cash" Mahlmann just three days from his arrival in the US aboard a West German grain freighter to secure gainful employment at the Chicago Board of Trade, the world's largest futures exchange.

Today, a little under 30 years later, he takes over its highest elected office as chairman, in succession to John Gilmore.

A meticulous dresser (somewhat unusual in a Chicago commodities trader), Mahlmann acquired the "Cash" cognomen from colleagues during his early days in the cash-grain accounting department.

Mahlmann, who helped build Stotler & Co into a first-rate futures commission business, moves into the chair at a time when the windy city's traditional dominance of the futures industry is under increasing pressure both from abroad and from an expanding range of non-regulated futures-like products being marketed by several banks and finance houses.

In a bid to respond to the competition from the growing Pacific zone exchanges, Mahlmann confidently expects to be the first chairman to preside over an evening trading session in Chicago, timed to coincide with the pre-prandial Tokyo bond market.

Front seat

Sue Windridge, who joined the old BLMC as a temporary secretary back in 1970, next month will become the most senior woman executive in the Rover Group when she takes over as company secretary.

Now 35, her career took off in the early 1980s when Sir Michael Edwardes, the BL chairman, suggested she study to become an associate of the Institute of Chartered Secretaries. Completion of a three-and-a-half-year correspondence course saw her appointed as assistant company secretary in 1984. She says: "I think Sir Michael was keen to see people develop their potential."

In her days at the group headquarters she has seen boards come and go under chairmen from Lord Stokes through to Graham Day at present. Was the current board a friendly group to deal with? She pauses and, with trained diplomacy, replies: "I've never found any board unfriendly."

Border-line

The world's most popular airline, it may be, but British Airways' grasp of geography seems less sure. Certainly not the BA(Hons) standard of its advertisement.

People in the Outer Hebridean archipelago of Uist who have applied for the British Airways privatisation prospectus were told: "We regret to inform you this office is not sending information concerning the share opportunity to people who are resident outside the United Kingdom. We are sorry for any disappointment that this might cause."

Not only is Uist in the UK—but BA flies there daily. In fact, the applications for the prospectus were forwarded to London by the British Airways office at Balivanich airport.

Hill Samuel, which is handling the privatisation issue, put it all down to a "misunderstanding."

British Airways, meanwhile, shows not only a continuing effort to get its 19m passengers to the right destinations on time, but to land them there in a happier frame of mind. Voted bottom in a 1985 survey of airline wine tasting by Business Traveller magazine, BA zoomed up to third place last year. Now it has appointed Colin Anderson, former director of Grants of St James's, as a wine consultant.

In practice

US professors do not often turn up in the back offices of the international securities markets. But Graciela Chichilnisky is one who has crossed the divide from the ivory tower.

Author of a recent book on international economics, Chichilnisky, 40, taught at the universities of California, Essex and Harvard, before becoming, in 1978, a professor of economics at Columbia University in New York.

But as well as studying the theory, Chichilnisky—who has directed projects for the UN and the World Bank — finds the realities of the financial markets exciting. On sabbatical from Columbia, she has become chief executive of Fitel, a new company which aims, in competition with some well-established organisations, to streamline the trading mechanisms of the increasingly global share and bond markets.

Fitel, she hopes, will be a money-making venture but it also underlines her belief in the practical application of academic work.

Four out of 10 international equity deals go wrong, Chichilnisky says, because of disagreements over exactly what has been sold by whom to whom. Fitel's system essentially replaces with computerised messages the many telephone and telex calls which follow a deal, and ensures that all the parties to it—as many as 10 in a single cross-border trade—agree on the details and on how the transaction should be settled.

Chichilinisky is a woman who likes to speak her mind: she unkindly compares the efforts of established stock exchanges at global clearing links to "a ring of dinosaurs joining hands and dancing together."

Video venture

Coming soon to your neighbourhood, the latest in depersonalised services—the video vending machine.

There are 500 of the machines already in service in the US. Now UK Video Vending has installed prototypes in Streatham, south London, and Farnham, Kent, and plans to have 400 in operation by next year.

The Videopoint machines operate on credit cards, and hold up to 270 tapes. The company says the machines will stock films for all the family, including such titles, if the contents of the prototypes are anything to go by, as "Foreplay" and "Death Warmed Up."

The automation of the video business is, I suppose, hardly surprising. The video rental market is now said to be worth £500m a year, twice as big as sales of paperback books.

Pennyworth

A friend telephoned his home to inquire about his small son who had swallowed three 1p coins the previous evening. His wife's reply was brief, but informative: "No change."

Observer

Foreign Affairs: The Superpowers

Gorbachev may just mean it

By Ian Davidson

IN THE manoeuvring between the two superpowers last year, the Soviet Union was undoubtedly the dominant partner; in contrast with virtually the whole of previous post-war history, the initiatives came from Moscow and the reactions from a Washington which all too often was wrong-footed and taken by surprise.

This dominance was dramatically underlined by the Reykjavik summit, where President Reagan found himself bounced into a negotiation on terms and on a scale he had never expected.

Since then, there has been a not unreasonable tendency to assume that US-Soviet negotiations will go into political slow motion during the rest of Mr Reagan's presidency. The verdict of Reykjavik was that there is no reduction in strategic nuclear weapons, however deep, that President Reagan is prepared to accept if it means renouncing or even appearing to renounce his precious Star Wars anti-missile defence programme.

If this were to remain the case — and he has given no hint of any second thoughts — the Geneva negotiations are not likely to get very far. The Russians can appoint a new high-powered chief negotiator and the two sides can multiply the frequency of their sessions to a positively hectic pace. But without a deal on Star Wars, there will not be an agreement on strategic nuclear weapons.

The assumption that the political ingredient of US-Soviet negotiations will go into slow motion has been reinforced by the Contra-gate affair. If President Reagan was not fully in command of the foreign policy process before, he must be even less so now.

The trouble with the slow motion theory, however, is that it assumes that Mr Mikhail Gorbachev will be happy to sit and twiddle his thumbs on the sidelines until Mr Reagan, or his successor, is good and ready to resume the dialogue. This assumption of quietism does not seem to conform to the image which has been projected by Mr Gorbachev since he came to power almost two years ago. On the strength of the record so far, we ought to expect another flurry of diverse diplomatic initiatives.

If President Reagan were to remain hobbled by Contra-gate for long, this could at best be embarrassing, at worst damaging for the West. It is bad enough to have their superpower run rings round our superpower; it is worse to have our superpower cast in the role of the obstacle to arms control; and it would be even worse to have our superpower incapacitated.

Mr Gorbachev has projected an impressive image of a man of power, as a man of action and as a man of movement; and in terms of style and public relations, he has presented an ingratiating and human face to the world which is in marked contrast to the stony visage of his three predecessors. If he continues to flourish an active foreign policy, if he continues to multiply initiatives, it will be essential that Western governments should be in a position to respond in ways that safeguard their essential interests.

This probably means, as a minimum, that the West needs to reconsider its conventional wisdom about the Soviet Union and its objectives to see whether anything fundamental has changed, or could change, as a result of Mr Gorbachev's accession.

During most of the post-war period, if you exclude three or four years of so-called "detente," the Atlantic governments have usually reached an easy consensus on the basis of fear and suspicion of the putative threat from the Soviet Union. That may still be the correct, or at least the safest, judgment; 40 years of military and ideological confrontation will not be discarded lightly.

However, if there were any chance of a turning point in the East-West relationship on terms that continued to safeguard the security of the West, it would be lamentable if it slipped past just because we were mistakenly clinging to worst-case analysis.

Moreover, there are domestic political reasons for re-examining long-standing premises. It is possible that Mr Gorbachev's ingratiating style is merely skin-deep hypocrisy, and that deep down he is bent on our destruction. But he undoubtedly appears less threatening, and that is bound to have an impact on political debate inside Western countries over such issues as defence spending, nuclear weapons and arms control.

In search of guidance on the implications of the Gorbachev era, I have been reading The Soviet Paradox by Professor Seweryn Bialer, published towards the end of last year. Prof Bialer is one of America's leading Sovietologists, with a reputation for excellent contacts inside the Soviet Union. He also has a lively mind, which makes his book extremely interesting to read in detail.

However, the broad thrust of his overall judgment on the significance of the Gorbachev era is both muddled and conservative. The subtitle of the book is "External Expansion, Internal Decline," which looks like an arresting antithesis. But it is not borne out by the text. While Moscow will hang on to the conquests and clients it has acquired in the Third World, such as Afghanistan, Ethiopia and Angola, Prof Bialer argues that "expansion in the Third World is less important to Gorbachev than it was to Brezhnev."

The first reason for this, he argues, is the internal decline. The Soviet Union under Mr Gorbachev has not given up its ambitions of a dynamic, expansionist foreign policy; but such a policy demands a large commitment of resources, and it is this which is missing. The top priority must be the reversal of the economic slowdown.

The second reason is that Third World expansionism would be incompatible with the normalisation of relations with the US and, more specifically, with the successful negotiation of a nuclear weapons agreement.

Here Prof Bialer's views seems to become very contradictory. On the one hand, he seems to say that competitive coexistence or managed rivalry between the superpowers is both necessary and possible. On the other hand, he seems to say that on most political issues the superpowers are so far apart that the only area where their interests overlap sufficiently to produce agreement is nuclear arms control.

Then again, he says that Mr Gorbachev is ready to make big concessions on strategic nuclear weapons but does not expect to be able to strike a deal with President Reagan; so he "places his hopes for avoiding a new arms race and preserving the existing balance of forces not so much on negotiations as on skilful, continuous manipulation of Western European and American public opinion."

Frankly, I find it rather difficult to have confidence in these kinds of judgments; but I believe that Prof Bialer's book contains the two clues to the mystery: the secrecy of the Soviet system, and the ingrained prejudices of two highly-charged ideological societies.

"Our knowledge of how domestic political forces shape Soviet foreign policy is limited," he says; and he devotes a whole chapter to the misperceptions rampant in the Soviet Union about the US, and vice versa. In both countries, he says, there is a substantial amount of factual information and serious analysis about the other; but it is not matched by the real quality of understanding.

In the same way, I wonder whether Prof Bialer's book does not suffer from problems of cultural and ideological prejudices. Unlike the ultra-right, he does not de-humanise the enemy. But it may be very difficult for an American, even an academic, to remain immune to the all-pervading American assumption of a never-ending manichean struggle between the superpowers.

Entirely missing from his analysis is any acknowledgment of the possibility—not the certainty, just the possibility—that the Gorbachev era could be associated with a process of radical questioning of foreign policy clichés. Domestic reform may be too difficult, because the nomenklatura has a vested interest in established privileges, and managers in Russia do not like competition any more than their counterparts in the West. Foreign policy is different, because it is controlled by a handful of people.

Is it possible that the Gorbachev generation is less burdened with the distant gunfire of the Revolution and the paranoia of the Great Patriotic War? Is it possible that Mr Gorbachev recognises the futility of the Soviet attempt in the late 1970s to grab military and geo-political advantages under cover of a fading detente? Is it possible that Mr Gorbachev himself believes not merely that an East-West war must at all costs be avoided, because of the nuclear danger, but that neither side has any motive for envisaging such a war?

It must be clear to him that the Soviet Union's East European empire is structurally unstable and illegitimate. The failure of the politico-economic system means that this chunk of empire risks becoming more unreliable, because the Soviet Union is being forced to withdraw those subsidies which were the only compensation for subservience.

It must be obvious that the Soviet empire cannot be legitimised by Soviet troops in Eastern Europe, any more than in Afghanistan; so is it not possible that Mr Gorbachev is thinking about new political recipes, including a different East-West relationship, in the hope that it would ease the problem?

I assume that these questions must be asked, in some appropriate code, in the Kremlin, because they cannot be avoided by any rational Soviet leadership. Consequently, they should also be addressed by Western governments, just in case the answers permit the management of the East-West relationship at a much lower level of confrontation.

The Soviet Paradox: External Expansion, Internal Decline; Prof Seweryn Bialer; I. B. Tauris; £16.50.

Red Dawn, a Hollywood account of a Soviet invasion of the US, put the Red Army in charge of the Big Macs. But even American academics are prone to the "assumption of a never-ending manichean struggle between the superpowers."

Lombard

In praise of takeover fights

By Samuel Brittan

A WIDELY recognised problem of modern organisational theory is that of the "principal agent." How does one find incentives for a senior civil servant, health service manager, head of a monopolistic public utility or managing director of a private sector company to act in the interests of those to whom he is responsible — in the latter case the shareholder — rather than to follow his own goals?

To secure the maximum return for shareholders' assets is an interest not merely of the shareholders, but of the nation. It is not in the interests of the poor or the unfortunate that assets should be inefficiently or under-utilised. The reformer may legitimately wish to change the distribution of equity ownership, but not — if he is sensible — to hold down the return on capital.

On the other hand corporate managers left to themselves may well follow objectives such as a quiet life, or profitless growth, or — at the other extreme — safety-first cash mountains. Such policies will hold back share values and may make new issues more expensive, but the latter constraint is not always binding. Executive share schemes may also promote personal incentives to profitable performance, but the schemes are always drawn up by existing boards and will hardly contain sufficient deterrents to under-performance.

Without the threat that in the last resort an underperforming management will be replaced by a more successful one, a vital incentive to performance is missing.

We need therefore not so much "takeovers" as "takeover battles." The Monopolies Commission must always be there as a long-stop to prevent business concentrations which threaten competition; and monopoly and mergers law is always capable of improvement. Quite apart from that, those of us who favour decentralisation and are suspicious of big battalions will be happiest when the outcome of a takeover fight is an internal revolution in the threatened company, which is then able to repulse the bidder. But unsuccessful takeover bids cannot exercise their galvanising role if there is not at the time a threat of success.

The first takeover fight I remember was when Imperial Chemical Industries made a bid for Courtaulds in the 1960s. The bid was unsuccessful; but it did succeed in shaking up the Courtaulds management and led to the emergence of Lord Kearton.

But are not the financial institutions, which influence the outcome of takeover fights, guilty of the new crime of "short-termism"? Maybe. But not because politicians or journalists say so. Factors such as high interest rates or political or exchange rate worries, or the uncertainties of the future, which exert an influence in favour of early profits over long-term technological developments are facts of the environment. We may all have our own theories about what causes them to be so great, or how to reduce them. But it is irrational to pretend that they are less than they are.

There are some systemic factors favouring short-term views. But they result from the financial institutions not being capitalist enough. Pension funds tend to be run by executives who are judged by quarterly and annual performance. It was the old-fashioned capitalist, with ample personal resources of his own, who could afford to take the long view. The suntraps of the world are full of prematurely retired, cantankerous characters who backed their own long-term judgments against the fashions of the moment.

The Cabinet lost a golden opportunity of reducing pension fund influence when it retreated in 1984-85 from plans for cutting the tax privileges of these funds in the face of interest group lobbies, which ministers could not answer back because of the absurd doctrine of Budget secrecy. Giving in to emotional backbench pressure for preserving every regional enterprise under its existing management will not make up for this mistake.

But there is one way in which Parliament could still curb the uneconomic pursuit of size, whether by takeover or other means. This is to enact that all profits above a minimum safety margin should be distributed to shareholders, unless their written permission is obtained for reinvestment. Or short of that, a tax system heavily biased in favour of distribution.

Letters to the Editor

No need for depression

From Mr R. K. Essex

Sir, — Your editorial "No room for complacency" (January 21) appears to follow the contemporary line that the British economy may be about to experience a short term pre-election boom after years of gloom and doom. It is difficult to follow this line of argument.

The economy has expanded consistently since the second quarter of 1981 and the growth in excess of 3.3 per cent in both 1983 and 1985 compares favourably with the forecasts for 1987. The upturn from the last recession commenced, coincidentally, with the announcement by 364 eminent economists that no end to the slump was in sight and a trend of inaccurate and unduly pessimistic business reporting was established.

Your report is also selective in primarily illustrating relative decline in terms of manufacturing output and comparing Britain to just one country, Italy. The British economy as a whole has consistently outperformed most of Western Europe for some years and the gap between ourselves and a number of our major competitors, most notably France, has been closing.

It is perhaps too early to conclude that the relative decline of the post-war years has been reversed but we can safely say that the position is no longer deteriorating, in itself a major achievement.

No need for complacency, agreed, but equally no need for the endless depressing news.

R. K. Essex.
23 Adel Green,
Adel.
Leeds.

Creating jobs

From Mr J. de Vries.

Sir, — With regard to the interesting article by Anatole Kaletsky (January 20), and the even more arresting headline, I wonder if he is arriving at conclusions without being aware of all the facts.

It is true that in some industries workers through their unions have been forced to accept cuts in real earnings. But the basic reason why average real earnings for the country as a whole have declined is simply the enormous number of part time and temporary or casual jobs that have been created, estimated at as much as 20m in American government statements. This job creation is in fact precisely what many Americans have prided themselves on, without however always mentioning that they are mostly service industry and temporary agency jobs with very low rates of pay. Women released from household chores (or at least reduced household chores) and teenagers earning extra money, largely account for such jobs. They might not have been working twenty years ago.

So the American dream is still there, even though it may no longer be as strong as it was in the fairly distant past. In fact family incomes are increasing and most skilled and semi-skilled workers with full-time jobs are probably earning considerably more in real terms than they did 20 years ago. The state of America may not be so bad after all.

Jack T. de Vries,
172 New Kent Road, SE1.

Payment by results

From Professor P. Minford and Mr P. Ashton

Sir,—Philip Stephens (January 19) says it is impossible to tell whether it is incentives or the rise in corporate profitability that is responsible for the rise in higher income groups' earnings (which, of course, in turn is the reason for the higher tax revenues from them).

Perhaps it is, however, striking that payment by results is by far the major component accounting for the relative rise in earnings of the top occupational groups in the New Earnings Survey. Such earnings grew by 121 per cent faster than the average in the top group over the period 1978-85, and by 78 per cent faster than the average in the next top group. These figures at least show that results attributable to these groups rose spectacularly; it seems reasonable to suppose that this was due to hard work as well as external factors.

Of course the rise in corporate profitability itself seems unlikely to be independent of the efforts of top executives. Another point is that in so far as share options are involved, their spread seems likely to be connected with falling tax rates on investment income. The supply-side case is further strengthened by (a) a startling turnaround in figures for net professional migration in the five years to 1984-85, and (b) the contrast between the current upward trend in the relative income of high earning groups and the downward trend of the previous decade.

Making sense of all this without invoking the effect of lower marginal tax rates is extremely hard, to say the least, though that will not stop some people from trying.

(Professor) Patrick Minford,
Paul Ashton.
Eleanor Rathbone Building,
The University,
Liverpool.

Finnish tragedy

From Mr A. Buraas.

Sir,—Twice in his story of January 15 your Helsinki correspondent states that Finland "won" the winter war of 1939-1940 against the Soviet Union. It was, in fact, the Finns who sued for peace, and according to the terms of the armistice they were forced to cede to the Russians: the Karelean Isthmus, including the city of Viborg, the islands in the Gulf of Finland, the Salla region and the town of Petsamo in the north, as well as Hangö for a period of 30 years. Half a million Finns had to leave their homes, lest they would become Russian hostages. Hardly a victory. But a terrible tragedy.

Anders Buraas,
La Pastorale,
1261 Le Vaud,
Switzerland.

Everything going cheap

From Mr A. Askwith

Sir,—It is no mere coincidence that there crossed my desk recently a letter from a member of a motor trades association urging rejection of the intended new copyright legislation and a copy of a letter in your issue of January 14 from Dr Griffin on the subject of licences of right.

These letters appear to me to epitomise one of the very real problems from which we are suffering as an industrial society. We appear to be besotted by the need to cheapen everything. The pharmaceutical industry is renowned for the strides it has made in producing remedies for various diseases which killed or maimed. The motor car industry has worked wonders in reducing unit costs and running costs and increasing customer comfort and selection.

These two letter reflect what a powerful hold vested interests apparently have in political circles in defeating what is obvious commercial common sense. If you sell cheap you have no money to spend on improving products and introducing new products. Neither the generic drug manufacturer nor the motor trade copyists want to do their own research and development. They want only to enjoy the fruits of others and then cut each other's throats in fierce price cutting. Only our foreign competitors win. Is it really in the best interests of this country that its motor manufacturers should have their designs copied by third parties without contributing to their research costs? Does it make economic sense that the pharmaceutical company's expenditure should have to be recovered in a period of four years shorter than its competitors? Are we detertermined to have a cheap purchase policy at the expense of our innovators? If so, let us face the consequences now rather than complain when we feels the effects. We may have had it so good up to now but with whom are the comparisons being made, our fathers or our western neighbours?

A. C. Askwith.
Andrews Byrne and Parker,
63 Lincoln's Inn Fields WC2

Selling and commission

From Mr A. Brownlow

Sir,—I noted that the Lautro Commissions Committee had not reached a decision on universal life contracts mainly due to the problem of increases and decreases.

I have been told that some salesmen are selling these as investment contracts with consequent high commission earnings for them and unattractive surrender values for their clients. Indeed, qualifying whole of life policies might also be sold for the same reason. It is suggested that illustrations showing surrender values from year one to year 20 should be required to be given to the client either at point of sale or alongside the cooling off notice.

There could, however, be a case for selling universal life contracts as investment contracts. Non qualifying contracts can have minimal life cover if required. Commission for pure investment should be paid on a single premium basis or at most maximum investment plan levels. This should give reasonable surrender values in the early years. If protection is required then whole of life commissions could be paid.

A. C. Brownlow.
100a Church Road,
Tiptree, Essex.

FINANCIAL TIMES

Monday January 26 1987

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Roderick Oram on Wall Street

Deluged by waves of psychology

SOMETHING snapped in some stock players' minds last Friday afternoon and the Dow Jones industrial average plummeted 114 points in an hour.

Analysts talked of corrections to an over-bought market, profit-taking and the vagaries of programme trading but the explanations could not quite embrace the enormity of the reversal for Wall Street's stunning New Year rally.

Similarly, something had been missing from analysis of the upswing. Theories about the weight of money and a bounce back from tax-related selling seemed prosaic explanations for why the Dow rocketed up 310 points in the first three weeks of this year.

Mr Bob Prechter believes investor psychology is the key and by studying that factor alone he has become one of the most accurate market forcasters in the US.

He foresaw this year's equity ecstasy, writing in 1983 that the Dow would have to break the 2,000 barrier before small investors would plunge back into the market. He thinks their behaviour now is symptomatic of the final pyrotechnic stage of a bull market. He sees the Dow topping out at 3,600 sometime next year before giving way to a bloodier bear market than even the Depression.

He was named "Time of the Year" in 1986 Timer Digest, a Florida publication which tracks the performance of some 60 newsletter gurus. In the four years the Digest has followed him, Mr Prechter has always been in the top five forecasters and several times number one.

Mr Prechter accurately called the start of the bull market in August, 1982, the 1984 lull and the precipitous corrections last July and September. He was, however, over-optimistic about how high the market would go last year and his record on bonds and gold is less impressive than on stocks.

None of his uncanny timing has come from traditional forecasting methods. Instead, Mr Prechter is an exponent of Elliott Wav e theories about the natural rhythms of investors psychology and their impact on markets. They were formulated by Mr Ralph Elliott, a Los Angeles accountant who spent the late 1920s and 1930s cataloguing historical market movements.

"He found a discernible, understandable and to some extent forecastable tapestry," Mr Prechter says. Elliott concluded that natural swings in crowd and social psychology from pessimism to optimism and back created the economic environment, not vice versa. The changes have come in an intricate pattern of waves though spotting and extrapolating from them is an arcane science. Elliott's analysis can be applied back to British stock prices in the early 1600s.

The Elliott Wave theories, which had only ever attracted few, if ardent, practitioners, instantly piqued Mr Prechter's interest when he first ran across them in the early 1970s. A Yale psychology graduate, he was a drummer in a rock and roll band. Since the band had only one great claim to fame – Rod Stewart recorded one of its original songs, "some guys have all the luck" – Mr Prechter augmented his meagre musician's pay by playing the markets.

Swapping one kind of chart for another he headed for Wall Street in 1975 where Merrill Lynch hired him as a junior technical market analyst. "I came cheap, I wasn't stuck in my ways and I was not uncomfortable in front of an audience," he explains.

Three years lazer he was ready to go it alone and moved his family down to a lakeside home at Gainesville, 50 miles northeast of Atlanta, to get away from the distractions of Wall Street. Actually, life's not too peaceful in that part of Georgia at the moment. The largest US civil rights march in 20 years took place at the weekend protesting against de facto segregation in the neighbouring all-white county.

Since Mr Prechter began publishing the Elliott Wave Theorist, an erudite though readable monthly newsletter, its circulation and his fame have soared. Currently it has some 14,000 subscribers ranging from international bankers to blue collar workers at $233 a year. About 30 per cent pay an additional $377 a year for a hot line service.

His current message is of a very bullish short term with no indication of a temporary top on the way to a Dow 3,600. Although there is no such thing in the market as a straight line rise, no correction will be greater than 5 per cent. Friday's Dow close was 2 per cent below Thursday's, although the intra-day drop was closer to 5 per cent.

So any stock player who suddenly got dizzy on Friday looking down from the Dow's heady heights should have taken heart from Elliott's immutable laws. Don't try to buck mother nature by throwing sell orders at your broker. The Dow will meet its destiny without you.

Peter Bruce in Bonn examines the aftermath of W Germany's election

Strauss left out in the cold

FRANZ JOSEF STRAUSS will probably never forget yesterday. It was the day his most passionate remaining political hope – to be West Germany's Foreign Minister – came crashing down.

It was the day he lost and when the politician he most despises, the present Foreign Minister Mr Hans Dietrich Genscher, won.

For months now Mr Strauss, pacing about his native Bavaria, has attacked Mr Genscher and his party, the liberal Free Democrats (FDP), for being soft on Moscow and hard on South Africa.

He desperately hoped that the nation would yesterday rid him and Chancellor Helmut Kohl of the FDP, that Mr Kohl's Christian Democrats (CDU) and his Christian Social Union (CSU) would win an absolute majority.

What he has done is make Mr Genscher famous all over again. He has dragged the FDP into a limelight, and given it a weight that it could probably never have achieved on its own.

There will still be people who argue that Mr Strauss is a canny and wise politician, but if he insists on dropping his office as Bavarian premier to seek a cabinet post in Bonn, then it will be in a much diminished role. He has become a lesser figure.

It might have been the weather. Yesterday was West Germany's first, and probably its last, winter election. Little things changed. For a start, there was no oompah band to greet Mr Strauss when he went to vote near his home.

Quite a few polling stations had to open late because of the cold and drizzle. In Bochum, in the Ruhr, the manager of one station slipped on ice and broke his leg. In Tübingen, someone had pumped glue into the main door looks of 17 polling stations.

In Kirchheim unter Teck, the authorities had to take to the streets with loudspeakers to calm troubled citizens after the appearance of official-looking leaflets saying the election had to be cancelled for a week because of organisational difficulties.

Whatever the reason, the CDU and Chancellor Kohl are going to have to trace in the next few weeks some 2m lost voters. Some will have gone to the FDP but a far more interesting figure will be the numbers lost to the far right, whose representatives improved their tiny share of the national vote yesterday.

The atmosphere at CDU headquarters in Bonn an hour after the polls closed was miserable. No-one had expected such large CDU/CSU losses. What was planned as a victory bash withered away into a wake. Loudspeakers piped someone singing "Spanish Eyes", among other tunes, into a hall filled with despondent party workers too numb to eat their meatballs and potato salad.

Over the road at the FDP, a Dixie band was stomping away in a big, heated, tent full of chuckling, glamorous, free marketeers. It was, for a moment, hard to believe they and the CDU were in the same Government. The talk was of the coming coalition talks and the prospect of the FDP getting an extra Cabinet seat.

North-Rhine Westphalia leader Johannes Rau

Bavarian Prime Minister Franz Josef Strauss

The revenge on Mr Strauss was also delicious, although attempts to get party officials to talk about the Bavarian leader's campaign against the FDP were met only with beatific smiles. Charity rules.

The Social Democrats (SPD) have their party headquarters in the same area. There appeared to be no food. Mr Johannes Rau, the party's candidate as Chancellor, quickly got the horrible bit out of the way by declaring to a television camera "we are the losers."

That was not entirely true. The SPD won a few votes more than it did in 1983 but more important for Mr Rau, the party did very well in North-Rhine Westphalia, where he is premier.

He ran a special campaign in his home state once it had become clear about five months ago that he did not enjoy the confidence of the party chairman, Mr Willy Brandt. By failing to do very badly overall, Mr Rau has also strengthened his position as deputy chairman, and the race between his moderate faction and the party left to replace Mr Brandt by 1988 has quite definitely begun.

Mr Rau, however, would have been concerned had he heard the cheers inside the SPD building when a leader of the Greens party said on television that she hoped the SPD leadership would now begin to talk to them.

The Greens, to the accompaniment of very loud rock music, were will into a great party in Bonn's Biskuit Halle, a major pop venue, by the time the polls closed. You had to buy the beer but somehow with the Greens it doesn't matter – although their 8 per cent of the vote means they will be repaid back some DM 3m ($1.62m) by the state, they still manage to look poor.

The fact that they become a much bigger faction in the Bundestag is going to pose some delicate problems for the parliamentary establishment, which so far has kept them off sensitive committees and deprived them of a deputy speaker.

"We are the champions", a song by the British pop group Queen, was playing as first results began to come through on the television monitors about the hall. That did not stop one reveller remarking that he (and probably a lot of his friends) had been expecting the environmentalists to do even better.

Perhaps the really good thing about this election is that there were more winners than losers – the Germans can do anything. Mr Kohl is still in charge. The FDP stays in Government. The SPD lost, but not that badly, and the Greens came good again. There was probably a wailing and a gnashing of teeth in Munich but even Mr Strauss has a sense of humor. Would he still want to be in the next Cabinet, a television questioner asked. "Don't be absurd," he snapped, "that's a stupid question."

Editorial comment, Page 14

Japanese makers benefit from record car sales in Europe

BY KENNETH GOODING, MOTOR INDUSTRY CORRESPONDENT, IN LONDON

WEST EUROPEAN car sales set a record last year but Japanese producers benefited most from the boom in demand. Their sales soared 19 per cent to an unprecedented 1.36m and their market share advanced a full percentage point to a peak 11.7 per cent.

The Volkswagen group of West Germany, with its subsidiaries Audi and Seat, kept the European car market leadership it gained for the first time in 1985.

Fiat of Italy was in second place for the second successive year.

The Fiat total does not include sales by Alfa Romeo, the former state-owned company which became a Fiat subsidiary in January this year. However, unofficial industry estimates show Alfa Romeo's 1.5 per cent share last year would not have been enough to put Fiat in first place.

Car shipments from Japan were cut substantially in the last quarter of 1986 after the Japanese ministry of International Trade and Industry warned the manufacturers in June that their exceptional sales growth in Western Europe was likely to cause further trade friction.

There were also veiled warnings from West Germany, the last of the major European markets not to impose restrictions on Japanese car imports, that barriers might have to go up.

The cuts in shipments will not be fully felt until the early part of this year. Meanwhile, the Japanese sold 416,000 cars in West Germany in 1986, up 33.5 per cent from the previous year, and their share of the market increased from 13 per cent to nearly 15 per cent.

Toyota, which made the most progress in Europe with a 22.5 per cent volume gain, joined Nissan ahead of BMW in the European sales league table. Nissan overtook the West German specialist car producer in 1985.

Total Japanese car sales in the 17 major European car markets last year were equivalent to the output of four average car plants. European car sales in Japan represented roughly two months output from one factory.

Another feature of 1986 was the continued advance of Daimler-Benz, the Mercedes group, following the introduction of its new "small" car, the 190, and the replacement for the mid-sized Mercedes.

Last year Daimler-Benz overtook the UK's state-owned Rover Group for the first time. Rover was the only major car company to suffer a fall in volume in last year's record conditions, a set-back caused by its poor showing in its domestic market.

GM drops $180m gearbox plan

BY OUR MOTOR INDUSTRY CORRESPONDENT

GENERAL MOTORS, the world's largest automotive group, has quietly shelved a $180m plan to produce continuously variable transmissions at its Strasbourg factory in France.

When the project was first announced GM predicted that CVT would revolutionise the use of automatic transmissions in small and medium-sized, front-wheel-drive cars and that the bulk of Strasbourg's output would be exported to the US.

Work has stopped because GM claims that key components for the CVT have proved to be unreliable.

The components, metallic belts, were to have been provided by Van Doorne Transmissie of The Netherlands, in which the Dutch Government has the biggest shareholding through MIP its industrial holding company.

However, Fuji, the Subaru cars group of Japan, Fiat Auto and Ford of Europe are to launch cars using CVTs based on the Van Doorne components this summer, after a three-year delay.

Fuji will employ the CVT in cars of up to 1 litre, but the Ford version, which Fiat will buy, can be linked with engines of up to 1.6 litres.

The GM CVT, which was to have highly sophisticated electronic controls, was for cars with engines between 1.6 and 2 litres. The company said yesterday that the CVT was expected to cope with a torque (turning force) of between 180 and 200 Newton metres "but the current belts can handle only half this torque."

GM says it is still committed to the CVT "but development has been deferred because of the non-availability of an acceptable belt.

"Obviously, when a belt and pulley is determined to be acceptable, GM will proceed with the development of the CVT."

GM's decision is another blow for Van Doorne Transmissie, in which Fiat Auto, with a 24 per cent shareholding, the Dutch Volvo car company, 27 per cent, are involved as well as the Dutch Government.

Delays to the launch of the Fuji and Ford CVTs were blamed on the inability of Van Doorne to mass-produce the metallic belts which had worked well when produced in small batches.

Ford, which calls its version of the CVT the CTX (Continously-Variable Transaxle), said yesterday that it would offer the unit in a 1.1 litre Fiesta this summer.

In-operation, the CVT provides a continuous transition between the lowest and the highest gear ratios

US-EEC 'closer' to deal on grain

Continued from Page 1

gin, cognac, white wine, cheese, ham and olives, worth rather more than $400m, if no deal is reached by Friday.

The community has promised to retaliate with sharply increased duties on US exports of maize, gluten, feed, and rice worth a similar amount, in what is widely seen as potentially the most damaging trade dispute between the two blocs in recent years.

A spokesman for Mr Clayton Yeutter, the US Trade Representative in Washington, said the US remained hopeful that a solution could be found. "We hope to hear back from them in a few days," he said.

Mr Yeutter will discuss any community offer with the cabinet-level economic policy council, which has voted to insist on $400m in compensation for lost sales. Mr Yetter has said he would accept a small amount of the compensation in the form of industrial preferences. A list of 30–40 computer-selected exports to the EEC, which originate mostly from the US, was presented to US officials in Geneva last week.

The key to a deal seems certain to be the quantity of maize the EEC agrees to buy from the US in the coming years. This would replace lost US sales to Spain after Madrid joined the EEC and raised import levies.

Washington has sought at least 2.8m tonnes a year – about two-thirds of the 4m tonnes it estimates Spain needs to buy. Brussels has until now been prepared to take only 1.6m tonnes from all external sources, of which the US might hope to supply little more than 1m tonnes.

Officials were not prepared to speculate yesterday on the figures under discussion at the weekend, for fear of jeopardising the outcome.

World Weather

		°C	°F
Ajaccio	S	13	55
Algiers	S	16	61
Amsterdam	D	4	39
Athens	F	5	47
Bahrain	S	22	72
Bangkok	S	32	90
Barcelona	—	—	—
Beirut	—	—	—
Belfast	C	5	41
Belgrade	C	1	34
Berlin	C	3	37
Biarritz	S	18	58
Bombay	C	33	91
Bordeaux	S	3	37
Brussels	C	1	34
Budapest	S	-5	23
B. Aires	S	27	81
Cairo	F	18	64
Cape Town	S	22	72
Caracas	—	—	—
Casablanca	C	19	66
Chicago	S	-14	7
Cologne	D	1	34
Copenhagen	C	5	41
Corfu	S	11	52
Dallas	—	—	—
Dublin	C	6	43
Dubrovnik	S	9	48
Edinburgh	C	3	37
Faro	C	15	59
Florence	S	8	46
Frankfurt	C	1	34
Funchal	F	19	66
Geneva	C	3	37
Gibraltar	C	15	59
Glasgow	C	2	36
Guernsey	C	2	36
Helsinki	Sn	0	32
H. Kong	F	17	63
Innsbruck	S	1	34
Inverness	C	6	43
Islamabad	S	24	75
Istanbul	F	-1	30
Jakarta	R	30	86
Jersey	C	1	34
Jo'burg	F	25	77
Lima	S	29	84
Lisbon	R	12	54
London	C	6	43
Los Angeles	S	12	57
Luxembourg	C	-2	28
Madrid	F	4	39
Majorca	S	13	55
Malaga	C	15	59
Malta	C	13	55
Manchester	C	6	43
Manila	C	31	88
Melbourne	C	23	73
Mexico City	S	28	82
Miami	F	21	70
Milan	S	2	36
Montreal	F	-28	-18
Moscow	C	-16	3
Munich	C	1	34
Nairobi	F	28	82
Naples	S	11	52
Nassau	—	—	—
New Delhi	S	18	64
New York	S	-8	18
Nice	S	13	55
Nicosia	—	—	—
Oporto	C	17	63
Oslo	S	1	34
Paris	C	1	34
Peking	S	3	37
Prague	C	0	32
Reykjavik	C	4	39
Rhodes	F	8	46
Rio de J's	C	27	81
Rome	F	12	54
Salzburg	C	3	37
San Francisco	R	11	52
Seoul	S	-5	23
Singapore	R	25	77
Stockholm	F	1	34
Strasbourg	C	1	34
Sydney	C	29	84
Taipei	C	13	55
Tangier	C	15	59
Tel Aviv	C	15	59
Tenerife	C	19	66
Tokyo	C	7	45
Toronto	S	-13	9
Tunis	C	13	55
Valencia	C	18	64
Venice	S	6	43
Vienna	F	3	37
Warsaw	C	1	34
Washington	S	-3	27
Zurich	C	1	34

Readings at mid-day yesterday: C-Cloudy D-Drizzle F-Fair Fg-Fog H-Hail R-Rain S-Sun Sl-Sleet Sn-Snow T-Thunder

G5 poised to meet

Continued from Page 1

quieten forecasts in financial markets of a further slide for the US currency.

Mr Miyazawa said that he had agreed with Mr Baker that the two sides would take "effective steps," if necessary, to stabilise the currency markets.

"We are in agreement on our assessments of the current market situation and thus have agreed on how to cope with it," Mr Miyazawa said. He declined, however, to comment on the possibility of joint intervention by the US and Japanese authorities.

Talk of a meeting of the Group of Five is likely to rekindle speculation in financial markets that the Japanese–US deal could be matched by a similar accord between Bonn and Washington in the wake of yesterday's West German elections.

The West German authorities, however, have done little to disguise their scepticism over the potential or the usefulness of such a deal. The fact that the US authorities continued to talk down the dollar despite their original deal with Tokyo last October is seen in Bonn as evidence that Washington cannot be relied upon to stick to such an accord.

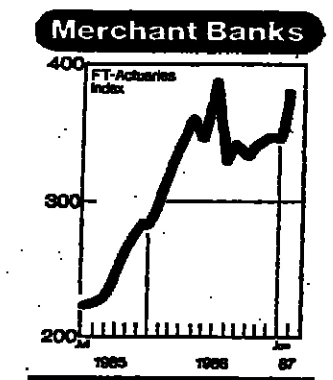
That has led senior West German officials, including Mr Gerhard Stoltenberg, the Finance Minister, to suggest that little could be achieved at a Group of Five meeting in the immediate future.

THE LEX COLUMN

Adventures of the City merchants

Copper-bottomed financial institutions, or undercapitalised and inadequately managed bucket shops? For years it has been common knowledge that even the top tier of London merchant banks rest their operations on a capital base that appears puny by comparison with the major-league investment banks on Wall Street.

But the top houses have enjoyed such hegemony over the domestic London capital markets as to give them and their outside shareholders some reason for optimism; the threatening approach of Big Bank – and of much tougher international competition – was treated as an excuse for breaking out champagne and rerating the entire sector.



Although the markets started to have second thoughts last summer, it is mainly the random addition of Guinness to this precarious festivity – reintroducing the City of London to the decadent brackishness of Black Velvet – that has recently led to the emergence of a much bleaker view.

It has been comfortably possible until now to think of competitive pressures as something on which stronger houses would thrive, after a couple of testing years. Yet the managerial weakness exposed at the heart of Morgan Grenfell, as well as Morgan's excessive dependence on one very erratic source of profits, corporate finance, has dished up a painful reminder that these are companies which face structural problems on three fronts: their traditional franchise is under attack, their new securities operations are capital-hungry, and they have outgrown the scale at which a small central management could keep personal tabs on every facet of a bank's business.

These three difficulties can too easily combine to produce a vicious circle. The need for revenue to sustain the overheads of the securities business may encourage managements to allow other parts of a bank to chase after lower-quality business than would otherwise be courted.

The fear of losing competitive edge can likewise cause a blind eye to be turned on deals that blue-chip banks would formerly have shunned. Simultaneous expansion into lots of unrelated areas makes it more difficult to spot when somebody is going off the rails; and the pressure on revenue must make it harder for the most honourable of managers to believe their own suspicions.

Altogether it is not surprising that the brokers have started to put out some bearish circulars, culminating in Greenwell Montagu's observation that the only positive case generally made for the sector is that most of the companies in it are now considered to be takeover candidates. It is indeed clear that the only reason for the astoundingly strong performance of Morgan Grenfell's stock this month is the bet on Morgan being put out of its misery by a takeover. On a less mortal plane, the shares of Mercury and of Hill Samuel have danced to the arbitrageurs' tune.

On the other hand – as everybody is well aware – the risks latent in actually taking over any merchant bank must be assessed as too high to be worth the candle. If no other scandals emerge, Morgan and Hill Samuel are both under the shadow of being sued for sums that may be significant in relation to their capital; and it is a fortunate bank that can be confident its cupboards will prove entirely skeleton-free as the inspectors make their rounds.

That is far from meaning the game is over. The difficulty of making ends meet will be exacebated if the takeover bubble has been finally burst by the Guinness scandal; but instead of single-mindedly chasing business to cover the overhead, banks will probably cut their costs to fit their fee income.

All in all, there is plenty of money to be made as well as lost. And though 11 times earnings does look a lot to pay for Hill Samuel, it still seems almost as clear that Kleinwort must be undervalued by a multiple of barely seven.

Quoted UK

The speed with which Quoted UK, the financials, oils and industrial conglomerate, has produced its annual report for the year just ended, owes more to the computing power of its broker Hoare Govett, than to the auditors. Indeed the figures ought to be regarded as somewhat provisional until the group's 150 subsidiaries have reported separately. Even so the 12 per cent growth in earnings per share, on pre-tax profits up 5 per cent to £43.5bn, is probably a good indication of the final results.

Only the group's oil businesses let down QUK last year, with profits from that division cut by more than a half. While there should be some recovery in 1987, a return to the previous level may take much longer. The group's industrial activities, profits up 22 per cent, gained more from the consumer boom than cheap energy, and the financials business raised profits by 19 per cent.

QUK's chairman is now forecasting a rise in group profits this year of 19 per cent with earnings per share up 16 per cent, basing his hopes on further strength in the economy, and favourable treatment in a pre-election budget. Perhaps optimistically, he expects every division to increase profits, even those parts exposed to the Big Bang – but that could be his broker talking. Profits this year and for some time ahead, may well be further boosted by more pension fund holidays; the group's pension fund is now valued at £80bn including a surplus of perhaps £15bn.

The group's balance sheet has hardly ever looked stronger. Despite capital spending of £29bn, cash flow has been sufficient, with £8bn raised through equity issues, to bring down gearing to only 12 per cent for the industrial businesses. That promises further acquisitions in the current year. Arguably, QUK's market capitalisation at £340bn, around 1.6 times net assets, and multiple of under 13 times 1986 earnings, does not do it full justice compared to other such businesses worldwide.

SECTION II – COMPANIES AND MARKETS
FINANCIAL TIMES
Monday January 26 1987

INTERNATIONAL BONDS

Falling dollar fails to dampen all enthusiasm

THE EURODOLLAR new issues market continued to snatch victory from apparent defeat last week. There were few signs that the dollar's fall had abated, even after West Germany had succumbed to the pressure to cut its discount rate. All the same, new Eurodollar issues found ready buyers almost as if there were nothing amiss, writes Clare Pearson in London.

This was partly because the borrowers who did tap the market were able to benefit from the absence of their rivals. Many potential issuers, who would like to lock into current interest rates, are prevented from doing so by an absence of swap opportunities.

This is because swap margins over US Treasury bonds have been coming down consistently in the past few weeks, making dealers reluctant to take up large fixed-rate paying positions.

This development is frustrating for some, but good news for those who have managed to launch bonds. Pick of the week was a $200m 10-year deal for Austria, but not far behind was a five-year deal for Skandia International, a Swedish investment company

Skandia is hardly the best known name in the market, but its issue traded robustly within its fees. Like Austria's deal, its yield margin over US Treasury bonds narrowed instead of widened – the more usual fate of a Eurobond in the primary market.

In addition to their scarcity value, these bonds also benefited from some realistic pricing, a discipline that the Eurodollar market seems anxious to impose upon itself this year.

This trend has, of course, partly been forced upon the market by the continued weakness of the dollar. This is thwarting the bulls' case for dollar bonds, since interest rates can hardly come down if the currency continues to fall.

So most of the action is still concentrated in the currency sectors of the market, with D-Mark bonds in particular still attracting foreign buyers.

The West German discount rate cut on Thursday failed to trigger a round of profit-taking in the D-Mark Eurobond market, although some investors realised profits in the domestic bond market.

The cut left the Euro-D-Mark market little changed. On the one hand, the bullish tone persisted because dealers were not convinced that it would buoy the dollar. But on the other, the prospect of yesterday's general election was keeping investors sidelined.

Japan Finance's DM 100m issue managed to achieve the lowest coupon on a 10-year public issue since last spring at 5¾ per cent. In the coming weeks there may be a rash of new issues from borrowers who have been waiting for a discount rate cut before entering the market.

The Euroyen market was in livelier mood as expectations grew of an imminent discount-rate cut. This helped a Y100bn deal for Denmark – which initially had rather a rough ride – to end the week trading within its fees. A Y50bn deal for Sweden also traded healthily.

Dealers say there is now a positive shortage of new paper in the Euroyen market. But potential borrowers are plagued with the same problem that is afflicting them in the Eurodollar sector: an absence of swap opportunities.

In the Australian dollar sector, underwriting capacity became congested last week, but investor demand remained healthy with traditional Continental buyers, particularly in West Germany, still buying and Far Eastern investors also showing some appetite for it.

Meanwhile – whatever happened to the floating rate note (FRN) market? There was a conspicuous absence of new deals last week, with just one mortgage-backed deal emerging in the sterling market. Indeed, no house has launched a conventional FRN since the beginning of the year.

The reason for the effective closure of the new issues market is a prolonged malaise in the secondary sector, which deepened last week as prices fell heavily for two days.

The sell-off occurred because market-makers began the year with large supplies of last year's tightly priced deals. Some investor selling, and a complete absence of net investor buying, meant that dealers' inventories quickly moved above their limits and prices tumbled as bonds were passed from one market-maker to another.

At present levels, dealers said it would be impossible to envisage a new issue for any but the very best regarded borrower finding acceptance in the market unless it paid interest at levels above London interbank offered rate.

The contrast is with issues for sovereign borrowers launched last year, priced to yield below London interbank bid rate.

Curiously, the market for perpetual FRN's was exempt from last week's sell-off, even though an earlier loss of confidence in this sector had played a major part in destabilising the market as a whole.

In Switzerland, dealers shrugged off the cut in the discount rate, the first such measure since 1983. Dealers said most of the new issues issued in recent weeks had been priced to take account of a fall in interest rates. They were expecting the market to enter a consolidation period as investors became accustomed to the lower yields.

● Merrill Lynch on Friday launched its second multi-tranche tap note facility. This incorporates some of the features of medium-term notes but with a structure, devised by Merrill, which sets a minimum amount for each tranche of securities to create liquidity, and gives an undertaking of a maximum spread over US Treasuries.

Franklin Savings Association of the US made a $50m two-year issue with a coupon of 6¹¹⁄₁₆ per cent, and the amount was later increased to $90m. The spread of 54 basis points over Treasuries later narrowed to 50 Franklin could continue issuing under this tranche up to a maximum of $200m, or could begin other tranches up to total issuance of $500m. Meanwhile the other facility, for Electrolux, has $80m in issue.

EUROMARKET TURNOVER
Turnover ($m)

	Straights	Conv	FRN	Other
Primary Market				
US$	1,685.3	–	24.2	4,708.5
Prev	2,301.5	–	158.9	3,943.6
Other	801.5	2.5	–	216.5
Prev	2,215.9	108.3	5.5	223.0
Secondary Market				
US$	20,349.9	1,589.2	16,715.5	8,946.4
Prev	17,896.1	1,678.4	13,145.3	6,452.9
Other	18,374.2	332.7	3,153.4	8,094.2
Prev	14,079.8	136.8	3,684.1	5,563.2

	Cedel	Euroclear	Total
US$	13,612.0	38,285.0	51,907.0
Prev	13,186.9	32,188.9	45,375.8
Other	13,748.8	19,207.2	32,956.0
Prev	10,632.3	15,432.3	26,064.6

Week to Jan. 22, 1987 — Source: AIBD

Home Shopping buys itself a busy week

BY JAMES BUCHAN IN NEW YORK

HOME SHOPPING Network of the US had a busy time last week. On Monday, it was just a regular Wall Street glamour stock, a pioneer in the fast-growing industry of selling cheap goods on television. By Friday, it was potentially the third biggest bank in the US by market value. Along the way, Home Shopping made and lost investors a lot of money.

On Tuesday, Home Shopping of Clearwater, Florida – which sells phone-in customers anything from rhinestone necklaces to electrical goods – announced a tentative $650m all-share offer for Comb Minnesota, the merchandiser, which owns 50 per cent of Cable Value Network, Home Shopping's main imitator.

Home Shopping's share price, which has multiplied more than tenfold since the group's flotation in May, grossed $5.75 to $38.25. In the middle of the most drastic "short squeeze" in 10 years, the American Stock Exchange was obliged to suspend trading in the stock, split for the third time on Tuesday.

A short squeeze occurs when an investor sells a high-flying share he does not own in the hope that the price will fall. We can then buy it back for delivery more cheaply and make a profit. However, the Comb merger announcement attracted new investors to Home Shopping and the price began to climb. The short sellers were squeezed back into the market to cut their losses.

On Wednesday, trading in Home Shopping could not begin because of a flood of buy-orders from the unfortunate short sellers. Eventually, the stock opened in the afternoon at $43.50, climbed to $47.00 and then, with the shorts out, tumbled $13 in the last hour of trading.

On Thursday, Home Shopping announced that Baltimore Federal Finanical, a 100-year-old savings and loan institution, with assets of $1.7bn, had agreed to a $40m offer.

The market takes this to mean that Home Shopping will soon be selling car loans and mortgages. Home Shopping stock rose $4 to $38 the day, and another $2 to $40 on Friday.

EUROCOMMERCIAL PAPER

EdF hopes new issue will plug into a magic market mixture

AS ONE of the largest foreign issuers in the US commercial paper market with $1.9bn outstanding and more than a decade of issuing experience. Electricité de France (EdF) deserves attention when it decides, as it has, to issue Eurocommercial paper, writes Alexander Nicoll in London.

So, too, does New Zealand, which has a US commercial paper and medium-term note programme and has appointed Citicorp Investment Bank and Shearson Lehman Brothers to advise it on the arrangement of a $500m ECP programme. The two will be dealers but others are expected to be appointed.

Like New Zealand, EdF has been an issuer of Euronotes through a tender panel. It is now progressing to ECP with the aim of achieving greater flexibility for maturities and closer control over the fate of paper once issued. In preparation for ECP, however, EdF has allowed all its Euronotes to mature and plans no further issues.

Mr Daniel Lallier, who heads EdF's financing and is a man who makes bankers sit up and listen, believes the ECP market is not as deep as some of them contend. Consequently, he has thought long and hard about the structure of the new programme, expected to be activated by the end of February. EdF will also this year enter its domestic commercial paper market.

None of the aspects of the ECP programme will be revolutionary by comparison with those of some other major borrowers. But the structure does underline the aim of many borrowers to achieve the magic mix: liquidity for their paper without having it traded in the secondary market.

Mr Lallier has three objectives in ECP: to be recognised as one of the best names in the market, to achieve placement with end-investors and to keep the programme separate from its US issuance in order not to sap the investor base in the US paper.

There should be little problem with the first of these, provided the programme is carefully supervised. Bankers expect EdF, which is top-rated and carries the Republic's guarantee, to obtain rates 5 to 10 basis points below London interbank bid rates (Libid).

As well as guiding issue maturities so as to maintain a constant presence in the market, EdF plans to keep tight control through close consulations with the appointed dealers. Their end-placement capabilities will be under constant scruting. They will be expected not to inventory, and when investors sell paper back to them it will be re-placed only after discussion with EdF.

This is all intended to prevent secondary market trading of ECP, which Mr Lallier wants to discourage.

EdF has chosen four dealers whose philosophies, it believes, match its own. Goldman Sachs, Morgan Guaranty and Salomon Brothers will handle the general programme, and Union Bank of Switzerland (Securities) will be dealer for a programme aimed at Swiss retail investors with the facility for small denominations.

Meanwhile, EdF's $1bn Eurocredit, upon which banks are being asked to accept renegotiated terms, has been meeting some resistance in the market.

Although two thirds of banks which have accepted the terms have asked to increase their commitment, this will not fully offset the shortfall created by the refusal of both small and large banks to stay in. The finer terms, thought not very aggressive by current standards, are just too tight for the lending policies of some banks, while others object to the principle of renegotiation. Some additional banks will be invited and, after they have been added, the final syndicate is expected to number about 50 banks by comparison with the original 76.

Elsewhere, the year is continuing its slow start. British borrowers have been the most active so far, and Ratners, the jewellery group, has mandated Barclays de Zoete Wedd for a £75m multi-option facility including a £50 committed standby, with a tender panel.

First City seeks fresh funds after $402m loss

BY WILLIAM HALL IN NEW YORK

FIRST CITY Bancorporation of Texas, one of the biggest Texas banks and one of the financial institutions most badly affected by the collapse in world oil prices over the past year, lost $402m in 1986 and is urgently seeking an injection of new capital.

The group announced that it had lost $136.8m in its final quarter after providing $122.9m for loan loss provisions. Its full year loss is the third biggest annual loss in US banking history. It underlines the severe financial problems facing the bank which is suffering from mounting loan losses and a weakening capital base as a result of its heavy exposure to the oil-related economy of Texas.

Mr J. A. Elkins, the chief executive, said: "The problems in the Southwest began with energy several years ago but have now impacted virtually every community and every industry in the region. The effect on Texas banking companies, including First City, has been severe."

The company provided $497.3m against loan losses in 1986 but its non-performing loans continued to climb and at year end stood at $897.1m, or 8.8 per cent of the total, compared with $563.1m, or 5 per cent a year ago.

INTERNATIONAL CAPITAL MARKETS and COMPANIES

UK GILTS

Opinion pollsters dominate investor sentiment

NOW THAT political opinion polls are established as the most compelling of short-term indicators in British financial markets, it has to be assumed that UK Government bonds will march ahead with renewed vigour this week.

The Harris Poll published in the Observer yesterday puts the Conservatives eight points in the lead over labour, the same level of support they commanded at the 1983 General Election.

This compares with the Gallup poll on Friday which has Labour five points in the lead and knocked about 1½ points off long-dated gilts.

The market got itself into such a panic that some primary dealers had only been able to quote indicative prices when the market opened.

All that is history because, on deeper reflection, the market decided that the poll was a freak and rebounded strongly. But it was intresting that the first and most violent reaction to the Gallup poll seemed to occur in the Far East, where traders rushed to sell sterling.

This episode showed that overseas investors appear to be as sensitive to political mood swings in Britain as domestic institutions when it comes to taking a view on this exchange rate and whether to buy UK Government bonds.

Events last week should, in theory, have worked in sterling's favour and focused attention on the attractiveness of UK gilts. West Germany finally gave in to international pressure and cut its discount rate—albeit as part of a package of measures designed to minimise the effect on domestic monetary conditions—and there was strong speculation that Japan would follow and cut rates as well.

Given that matching interest rate cuts in Britain are not automatic (and noises emerging from Whitehall last week suggested that the authorities are keen to save any good news until much near Budget time), gilts should benefit in the short term from rate cuts overseas which further widen their yield advantage.

Overseas investors should also be attracted by the potential currency gains to be had on British investments. While the Japanese and West German authorities have been facing the problem of fast appreciating currencies the pound has been falling and, barring nasty accidents, sterling has more room to recover than other currencies.

Despite these favourable arguments for investing in gilts, overseas investor interest, while certainly there, has not yet had a major impact on yield levels and the market still appears to be struggling to break 10 per cent decisively.

Reports last week suggest that there was moderately good interest from West German investors and continuing disinvestment from the US Treasury bond market into gilts by investors concerned about the currency risk on dollar assets.

The Japanese appear to be moving away from their heavy involvement in US bond auctions for similar reasons and thinking about diversifying their portfolios. Some of this money should find its way into gilts but there is no more than a dribble at the moment.

In trying to explain why overseas demand is not more robust, one need perhaps look no further than Friday's volatility which highlighted the extreme sensitivity of gilts and sterling to political factors. Many of those involved in trading gilts do not expect to see large-scale foreign buying until electoral uncertainties are out of the way.

Mr Robert Thomas, director of Bond Research at Greenwell Montagu, said he believed that foreign interest last week had been negative on balance. He said the fall in yields since late last year meant that gilts were no longer obviously cheap, but there was a feeling that sterling had already benefited as much as it was going to from international events and that gilts were once again a two-way bet.

The Government Broker left the market untapped on Friday, presumably as much a reflection of the relaxed funding position as the early morning opinion poll jitters.

That and the new poll should see the gilt market off to a comfortable start today but much will depend on the reaction, particularly of currencies, to US and UK trade figures later this week.

Janet Bush

US MONEY AND CREDIT

Bullish signs fall foul of the dollar

IF US government debts were denominated in any other currency but the dollar, last week would have been a good week. There was as favourable a conjunction of economic news as any bond investor could wish: a discount rate cut in West Germany and whispers of the same in Japan, a preliminary report showing the US economy all but standing still and a record drop in the narrowly defined money supply.

Gold, which people are supposed to buy as a hedge against inflation, fell by about $11 over the week. Throw in a booming stock market as a proxy for all financial assets, subtract one tremendous snowstorm and one national holiday, and last week would have made quite a case for a cut in the US discount rate and a continued rally in US bond prices.

Except that government bond prices fell last week, by over a point at the long end, and are yielding more than at any point this year. The trouble is that Treasury bonds are denominated in dollars, and the dollar was unsteady all week. At one point, in early trading on Monday in Tokyo, it dipped under Y150, recovered and then fell again on Wednesday to Y151.50 when a meeting between Mr James Baker, the Treasury Secretary, and Mr Kiichi Miyazawa, the Japanese Finance Minister, produced only motherhood phrases.

As for the ½-point cut in the West German discount rate on Thursday, it was so neatly counterbalanced by other restrictions on domestic liquidity, that it had no positive effect. The dollar ended the week in New York down just over half a yen at $152.65 and down 2½ pfennigs at DM 1.8180.

The bond market drifted downwards on Wednesday and took no encouragement from the preliminary report on Thursday that gross national product grew at an annual rate of only 1.7 per cent in the fourth quarter. Because of interference from the overhaul of US taxation that went into force at the end of the quarter, the economic statistics (like the money supply figures) are more than usually hard to interpret.

On Friday, like everybody else, bonds got a bad case of the jitters when the stockmarket went haywire at lunchtime. The 30-year Treasury bond closed this week down 1⅞ of a point and was yielding 7.45 per cent.

This scarcely constitutes a reverse for bonds and nobody is yet saying that the Federal Reserve may have to tighten its monetary policy to protcet the dollar and attract foreign investment in US debt instruments. But investors will be watching this Friday's announcement of figures on merchandise trade in December for any evidence that the trade deficit may be diminishing, and with it downward pressure on the dollar.

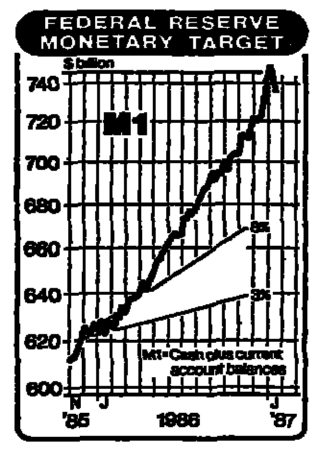
Estimates for the deficit, surveyed by Money Market Services of Redwood, California, on Friday, range from $17bn to $7bn. The median estimate of the 39 analysts surveyed is $13.8bn, which is down from November's profligate $19.2bn.

The trade figures will overshadow the only other economic news of note, durable goods orders on Tuesday, where the median estimate is a decline of 2.5 per cent, although the 40 organisations surveyed ranged from down 4.5 per cent to up 1 per cent. The trade picture will also be in everybody's mind on Wednesday when the Treasury will announce its quarterly refunding plans.

The Treasury auctions, which will be held next week, are usually a good gauge of foreign — and notably Japanese — interest in the Treasury market. Japanese investors typically buy up to half the securities on offer, which Smith Barney believes will amount to a record $29.75bn gross, but only $15.1bn net of redemptions.

But as Smith Barney points out, Japanese investors who bought the long bond last March have lost 14 per cent of their investment in dollar depreciation for only three basis points of lower yield. Smith Barney believes the reported levels of imports will remain "strong for the next few months and this could have an adverse impact on the dollar." Should the dollar fall below Y150 before the auctions, it is likely that only a substantial back-up in interest rates would encourage aggressive buying.

James Buchan



French ban Paribas grey market quotes on screen

FRENCH investment bankers and brokers have been asked by the French Finance Ministry not to issue grey market quotes on Reuter screens for the public share offering of Paribas, the French investment bank, **Reuter** reports from Paris.

The move has reduced requests from institutional investors for the 14.7m shares put up for sale by the Government on the domestic market at a price of FFr 405 during a two-week flotation which began last Monday and closes next Saturday.

The Finance Ministry said the Government had no comment and would have no comment on the move. It added, however, that the Government had drawn the attention of investment banks and brokers to a 1942 law setting prison terms of up to two years for anyone posting security prices outside bourse hours.

Brokers and bankers said they had not been threatened by legal action but had been asked verbally not to display grey market quotations on screens.

US MONEY MARKET RATES (%)

	Last Friday	1 week ago	4 wks ago	12-month High	12-month Low
Fed Funds (weekly average)	6.07	6.05	6.38	11.34	5.71
Three-month Treasury bills	5.39	5.34	5.56	7.19	5.01
Six-month Treasury bills	5.34	5.37	5.59	7.24	5.06
Three-month prime CDs	5.81	5.89	6.31	7.88	5.46
30-day Commercial Paper	5.85	5.85	7.00	7.75	5.56
90-day Commercial Paper	5.75	5.75	6.20	7.70	5.46

US BOND PRICES AND YIELDS (%)

	Last Friday	Change on week	Yield	1 week ago	4 wks ago
Seven-year Treasury	100½	− ⅜	6.91	6.86	6.95
20-year Treasury	117¾	− 1⅝	7.68	7.56	7.58
30-year Treasury	100¾	− 1⅞	7.45	7.33	7.34
New 10-year "A" Financial	N/A	N/A	8.00	8.00	8.13
New "AA" Long utility	N/A	N/A	8.63	8.63	8.88
New "AA" Long Industrial	N/A	N/A	8.63	8.50	8.88

Money Supply: In the week ended January 12 M1 fell by $14.9bn to $734.4bn.

Source: Salomon Bros (estimates).

NRI TOKYO BOND INDEX

December 1983 = 100	22/1/87	Average yield (%)	Last week	12 wks ago	26 wks ago
Overall	133.60	4.70	132.88	129.68	126.87
Government Bonds	134.27	4.38	133.53	130.70	127.91
Municipal Bonds	134.34	5.12	133.51	129.54	126.47
Government-guaranteed Bonds	135.24	5.16	134.38	130.09	127.16
Bank Debentures	129.82	4.38	129.20	126.67	123.97
Corporate Bonds	132.12	5.63	131.58	128.60	124.82
Yen-denominated Foreign Bonds	134.22	6.38	133.88	130.43	127.97
Government 10-year†	5.26		5.32	5.57	5.51

† Estimated par yield.

Source: Nomura Research Institute.

FT/AIBD INTERNATIONAL BOND SERVICE

US DOLLAR STRAIGHTS	Issued	Bid Price	Chg. on week	Yield
ABN Bank 8⅞ 91	150	103⅝	−0⅛	7.52
AHFC O/S Fin 11¼ 94	100	103½	+0½	11.00
AIDC 11 89	75	106¾	−0⅛	7.55
Alcan Australia 8⅞ 89	25	100	+0⅛	8.47
American Expa 12⅝ 88	150	109⅝	−0⅛	6.80
Asian Dev Bk 11¼ 93	100	116	0	8.54
Australia 11¼ 90	100	111½	+0⅛	7.58
Australia 11⅝ 96	100	119⅝	+1⅛	8.89
Austria Zero 95	100	51¼	+0⅛	8.19
Bk Nova Scotia 13⅝ 87	100	102⅝	0	7.30
Bank of Tokyo 11⅞ 90	100	115⅝	+0⅛	7.27
Bank of Tokyo 8⅝ 96	100	103	+0⅛	7.90
Bank of Tokyo 11 90	125	110⅝	+0⅛	7.14
Bank of Tokyo 13⅞ 89	100	116⅝	+0⅛	6.99
Barclays Jersey 10⅝ 90	250	106⅝	−0⅛	7.35
Barclays Jersey 10⅝ 95	250	115⅝	+0⅛	8.15
Batawest Prop 7¾ 93	150	100⅝	0	7.69
BFCE 7⅝ 93	100	98⅝	+0⅛	7.60
BFCE 7⅞ 96	100	0		
BNP 8⅝ 93	125	103⅝	+0⅛	8.06
BNP 13½ 89	150	116½	0	6.97
BP Capital 11½ 92	150	111¼	0	8.29
BP Capital 9⅝ 93	150	107⅝	−0⅛	7.97
Br Col Hydro 13⅝ 88	150	108⅝	−0⅛	6.65
Canada 10 95	500	113½	+0⅛	7.82
Canada 14⅞ 87	750	102⅝	−0⅛	6.82
Canadn Imp Bk 16⅝ 91	100	116	+0⅛	12.08
Can Natnl Rail 14⅝ 91	100	114½	+0⅛	10.63
Canadian Pacific 7½ 96	100	96⅝	+0⅛	8.16
Canadian Pacific 10⅝ 93	100	109⅝	0	8.75
Canadian Pacific 14⅝ 92	75	110⅝	+0⅛	11.79
Caterpillar Fin 0 92	300	63⅝	+0⅛	8.45
CCCE 7½ 91	113	98⅝	+0⅛	7.15
Centrust 8 93	100	0		
Centrust S&L 0 10	1.2bn	12⅝	0	9.53
Chevron Corp 8⅝ 96	300	100½	0	8.16
Christiana Bank 8 96	100	0		
Citicorp 11⅝ 92	100	108⅝	0	8.57
Coca-Cola 11⅝ 88	100	107⅝	0	6.74
Com Bk Austria 12⅝ 89	100	113⅝	0	6.88
Continental Grp 11½ 93	75	103⅝	+0⅛	10.72
Council of Europe 9⅝ 96	150	0		
[illegible]				
NSW Treasury 11⅝ 90	150	112⅝	0	7.25
Olympia & York 8⅝ 96	435	98⅝	+0⅛	8.42
Ontario Hydro 11⅝ 89	200	111½	−0⅛	6.79
Ontario Hydro 13½ 91	100	121½	−0⅛	7.23
Ontario Hydro 14⅝ 88	150	115⅝	0	6.95
Ontario Hydro 15 92	150	131⅝	+0⅛	7.73
Ontario Hydro 11⅝ 94	200	121	+0⅛	7.65
Ontario Hydro 11⅝ 90	200	114⅝	0	7.07
Pacific Gas & El 15½ 89	45	102	−0⅛	14.28
Pacific Gas & El 12 00	75	118	+0⅛	9.52
Penney J C 11⅞ 90	100	104⅝	0	10.40
Penney J C 12⅝ 91	100	112	0	9.43
Pepsico Capital 8⅝ 91	100	104⅝	−0⅛	7.19
Petro-Canada 7⅝ 96	200	96⅞	+0⅛	7.88
Philip Morris 9½ 89	70	106⅝	+0⅛	6.94
Postipankki 11⅞ 90	75	109	−0½	7.77
Post Och Kred. 13½ 87	50	103⅝	+0⅛	6.20

	Issued	Bid Price	Chg. on week	Yield
Proctor & Gam 10 95	150	111⅝	+0⅛	8.04
Pru Rlty Secs 0 98	365	37½	+0⅛	8.62
Pru Rlty Secs 11⅞ 92	395	110½	0	9.15
Pru Rlty Secs 12⅞ 95	545	119⅝	+0⅛	8.60
Qantas Airways 10⅝ 95	140	114	+0½	8.02
Quebec Hydro 10 99	75	102⅝	0	9.60
Queensld Gvt 11⅝ 89	100	110⅝	+0⅛	7.14
Reynolds R. J. 10⅝ 93	100	112⅝	+0⅛	7.78
Rockwell Int 9⅞ 90	200	[illegible]		
Saab-Scania 9⅝ 91	125	[illegible]		
Saskatchewan 10⅝ 92	100	[illegible]		
Saskatchewan 7 91	125	[illegible]		
[illegible]				

	Issued	Bid Price	Chg. on week	Yield
Wells Fargo ⅜ 97	250	99½	−0⅛	6⅝
Wells Fargo ⅜ 2000	200	99⅝	−0⅛	6⅝
Wells Fargo ⅜ 96	50	99	0	6⅝
Wells Fargo 0.225 92	150	99⅝	+0⅛	7⅝
Westpac Banking ⅛ 97	150	98⅝	0	6⅞
Woodside Fin (Feb) 97	300	98⅞	−0⅛	6⅝
Woolwich Equit ⅛ 95	200	99⅝	0	11⅞
World Bank 0.25 94	250	99	0	6⅝
Zentral Und Kom ⅛ 91	30	99⅝	0	6⅞

CONVERTIBLE BONDS	Issued	Bid Price	Chg. on week	Prem.
American Bnkrs 8⅝ 01	70	118	+0⅛	13.39
Computer Prods 7 99	15	101½	+0½	27.45
Eastman Kodak 6⅝ 01	300	0		
Elektrowatt 5 98	51	180	−1	−4.81
Gibraltar Savings 7½ 06	100	103⅝	+0⅛	28.94
IBM 9⅝ 96	300	104⅝	+1	37.38

	Issued	Bid Price	Chg. on week	Yield
ITT 4⅝ 87	50	107¾	+5⅝	2.46
Kaiser Aluminium 5 88	30	94	0	55.58
LASMO 9⅝ 99	44	89½	−0½	58.44
Lorimar-Telepics 6 01	100	94¾	+1½	73.62
Newmont Mining 7 01	100	121⅝	+0½	12.37
Nippon Seiko 3⅝ 99	70	124	−0½	2.84
Olympus Optical 6⅝ 97	40	151	0	−0.25
Penney J C Int 4½ 87	35	107¾	+0⅛	9.11
[illegible]				
Sumitomo Corp	24/1/91	59	0	4.35
Toray Ind	10/12/90	34½	+0½	15.17
UNY	17/6/91	10½	−1	46.76

BOND WARRANTS	Expiry date	Bid Price	Chg. on week	Ex. yield
Aegon Ins 11⅝ 91	15/2/88	105	0	8.22
Coca Cola 11⅞ 91	28/11/88	113½	0	8.41
Dart Kraft F 10⅝ 96	1/1/96	27	+1	9.78
Denmark 12⅝ 92	31/1/90	170	0	8.46
Eksportfinas 13⅝ 89	15/9/87	130	−6⅛	7.59
Holland Air 11⅝ 91	10/8/88	69	0	9.02
Ind Bk Jpn 12⅞ 91	5/10/89	165	−13⅛	8.45
Mitsubishi F 12⅝ 91	8/11/89	155	0	8.53
J P Morgan 11½ 90	16/9/87	87½	+1⅛	7.81
Texaco Cap 12⅞ 92	1/9/87	67	0	11.16
Wlls Frgo A 12⅝ 91	27/12/89	170	0	8.38
Weyerhsr C 11½ 90	15/11/87	92½	+0½	8.06

STRAIGHT BONDS: Yield to redemption of the mid-price. Amount issued is expressed in millions of currency units except for yen bonds, where it is in billions.

FLOATING RATE NOTES: US dollars unless indicated. Margin above six-month offered rate (‡ three-month; § above mean rate) for US dollars. C.cpn=current coupon.

CONVERTIBLE BONDS: US dollars unless indicated. Prem=percentage premium of the current effective price of buying shares via the bond over the most recent share price.

WARRANTS: Equity warrant prem=exercise premium over current share price. Bond warrant ex. yld=exercise yield at current warrant price.

Closing prices on January 23.

INTERNATIONAL CAPITAL MARKETS and COMPANIES

Three Norwegian banks plan merger

By Kevin Done, Nordic Correspondent in Stockholm

THREE Norwegian banks are planning to merge in order to create a new nationwide bank better able to compete with the country's big three commercial banks.

Forretningsbanken, Bondernes Bank and Westlandsbanken have signed a letter of intent to merge with effect from October 1. It is hoped that the approval of the Norwegian authorities can be obtained by July 1.

The new bank, which will have its headquarters in Trondheim, in mid-Norway, will be the country's fourth largest bank with total assets of around NKr 30bn ($4.24bn), a workforce of some 2,400 and around 140 branches.

The three banks have a combined market capitalisation of around NKr 1.2bn. Shareholders in Forretningsbanken and Vestlandsbanken will be offered one share in the new bank for one existing share, while shareholders in Bondernes Bank will be offered two shares in the new bank for one existing share.

Merger talks have been under way between the three banks in various combinations for several years, but a new urgency was added a year ago when Forretningsbanken bought a 23 per cent stake in Bondernes Bank.

"The big three banks (Den norske Creditbank, Christiana Bank and Bergen Bank) are growing much faster than we are," said Mr Paul Hallen, deputy managing director of Forretningsbanken. "We found we had to do something to keep pace."

● The long-running battle between Elkem and Kvaerner, two of Norway's biggest industrial groups, has ben intensified by Elkem increasing its stake in Kvaerner from 27.2 per cent to 30.6 per cent. It said it is seeking at least one-third of the Kvaerner equity.

The struggle between Elkem, one of the leading Norwegian metals groups, and Kvaerner, the leading engineering concern, is one of the most bitter corporate power battles that has been seen in Norway. It reached a new peak last month, when Elkem and its allies sought to acquire several seats on the Kvaerner board.

UK funds named in APA bid case

BY CHRIS SHERWELL IN SYDNEY

TWO LARGE British pension funds have been put on notice that they face legal proceedings in Australia in connection with allegedly illicit dealings in the shares of APA, an Australian insurance and investment group.

The funds — the Merchant Navy Officers' Pension Fund and John Govett and Company— were named in the Victorian Supreme Court on Friday by the lawyer for Humes, a Melbourne building materials manufacturer.

He said Humes would be starting proceedings against the two funds, and against both the London broking firm of Alexanders Laing and Cruickshank and Mr Garry Carter, the head of APA, alleging that they all artificially maintained the price of APA shares.

Humes has since last July been the subject of an all-paper bid by Unity-APA, the investment banking unit of APA Holdings and Unity Corporation, both of which are controlled by Mr Carter.

On December 1, Mr Carter's chances were dashed when Humes found a white knight in the form of Smorgons, a family-owned Melbourne business which agreed to a reverse takeover.

But on December 2, a surprise purchase of an 8 per cent block of Humes shares effectively blocked the Smorgons deal. This prompted an investigation by the National Companies and Securities Commission (NCSC), Australia's share market watchdog.

The purchase was made by Alexanders through its Melbourne associate, May Mellor Laing and Criuckshank, and the NCSC's inquiries have caused it to expand its investigations to include dealing in APA shares.

Last week, the NCSC declared the December 2 Hume share purchase "unacceptable," and Friday's court proceedings spring from this declaration. The declaration, if sustained, would vest ownership of the block with the NCSC, whereupon the shares could be sold back into the market.

Friday's proceedings were expected to disclose the detailed reasons for the NCSC's action. Although this did not happen, Humes' own warning about its proposed suits drew a reaction from lawyers for Alexanders and Mr Carter and led the judge to order all parties intending to institute proceedings to do so before February 4. He also fixed February 6 for hearings to start.

At the same time he ordered that notice of the proceedings be given to the two pension funds, and to two named dealers.

One, Mr Hamish Rainey, works in the international department of Alexanders Laing and Cruickshank. The other, Ms Brenda Shanahan, is a director of May, Mellor, Laing and Cruickshank. Neither is represented by the legal firms advising their employers.

Alexanders meanwhile confirmed that it would appeal agains the NCSC declaration, something Mr Carter has already done.

The Humes case is widely seen as a test of the NCSC's attitude towards surveillance and enforcement of Australia's legal codes concerning share market dealing.

Upturn at Texas Instruments

BY LOUISE KEHOE IN SAN FRANCISCO

TEXAS INSTRUMENTS, the US semiconductor and electronics manufacturer, reported net income of $29.1m or 71 cents per share for 1986 in contrast to losses of $118.5m or $4.76 in 1985 when the company was hit by recessions in several of its major business sectors including semiconductors, computers and oil exploration services.

Sales were $4.97bn, up marginally from $4.92bn in 1985. During 1986, TI took charges totalling about $40m for cost reduction actions, as well as $10.8m for the redemption of debentures. In 1985 the company incurred losses of $63.8m on plant closures and layoffs.

For the fourth quarter of 1986, TI reported earnings of $26.6m or 91 cents per share on sales of $1.3bn. The company took a pre-tax charge of $19m for cost reductions. In the same period a year ago, TI recorded losses of $41.2m or $1.64 on sales of $1.2bn.

Executives attributed improved earnings to cost reductions in semiconductor and computer operations as well as increased defence electronics sales. These offset a substantial decrease in geophysical exploration services, the company said.

Its defence electronics business achieved record sales in 1986 largely as a result of the company's contract to produce Harm missiles.

Monsanto returns to profits

BY OUR FINANCIAL STAFF

MONSANTO, the US chemicals group, has reported net earnings of $23m or 28 cents a share for the fourth-quarter of 1986, against a net loss of $340m a year earlier when the company took a $341m restructuring charge.

For the year, earnings emerged at $433m or $5.55 a share, against a net loss of $98m, although the latest period includes a $114m after-tax gain from the sale of a petrochemical plant, offset by a $46m write-down on the silicon wafer side. Sales edged up from $6.7bn to $6.9bn.

Monsanto said the fourth-quarter results reflected expected seasonal weaknesses in some high profit businesses and some year-end weakness in the powdered soft drink segment of the NutraSweet market.

● Santa Fe Southern Pacific, the US railroad group, suffered a $384.7m loss from continuing operations in the fourth quarter, against profits of $135m a year earlier.

The latest figure reflects a $914m pre-tax charge for restructuring, but excludes $122.9m in earnings from discontinued operations, which reduced the final loss to $261.8m against profits of $137.3m in 1985.

For the year, the company made a loss of $137.9m against profits of $469.6m, on revenues down from $6.3bn to $5.6bn.

● Ashland Oil, the US oil refiner and marketer, suffered a sharp fall in first-quarter profits from $50.3m or $1.48 a share to $27.2m or 83 cents, with higher prices for crude oil products reducing refining margins. Revenues dropped from $2.06bn to $1.6bn. Income from most non-refining operations improved.

●The weakening of the US dollar helped Pfizer, the US pharmaceuticals and cosmetics group, to report a 14 per cent gain in net income for both the fourth quarter and the whole of last year.

Pfizer said the weaker dollar "significantly benefited" growth in fourth-quarter earnings to $158.4m or 94 cents a share from $139.3m or 83 cents, and contributed about half of the increase in full-year net profits, which rose from $579.7m or $3.44 a share to $660m or $3.90.

Sales rose 10 per cent in the quarter to $1.16bn and 11 per cent to $4.48bn in the year, with more than half the gain from currency translation.

Oerlikon sees fall into loss for 1986

By John Wicks in Zurich

OERLIKON-BUEHRLE, the Swiss industrial conglomerate, expects to record a net group loss for 1986 and is to recommend the passing of a dividend for the year.

Last September, a letter to shareholders had warned that earnings would "not match the 1985 figure of SFr 37.3m ($24.3m)."

According to an interim report issued at the weekend, group sales fell by 4.1 per cent last year to SFr 4.66bn. This drop is attributed particularly to sluggish new order intake in the military products sector and to the unfavourable currency situation.

Only the Liechtenstein-based Balzers division, the aircraft sub-division and the service subsidiaries (property holdings, hotels and Limmat Insurance) booked higher turnover than in 1985.

The fall into losses is due not only to the decline in sales and the strong Swiss franc but also to high introduction costs for the defence systems Adats and Seaguard, and restructuring measures in the machine tools field.

Investments rose sharply last year from SFr 265m to some SFr 420m and were concentrated on the military products division, Balzers and the Zurich subsidiary, Contraves. The group payroll rose by 1,100 to some 32,900.

N American quarterly results

TRANSAMERICA
Financial services

Fourth quarter	1986 $	1985 $
Revenue	1.55bn	01.36bn
Net profits	82.2m	42.3m
Net per share	0.60	0.60
Twelve months		
Revenue	6.60bn	5.59bn
Net profits	257.5m	145.5m
Net per share	3.57	2.15

SARA LEE
Food processing

Second quarter	1986-87 $	1985-86 $
Revenue	2.32bn	2.05bn
Net profits	75m	62.4m
Net per share	0.80	0.57
Six months		
Revenue	4.4bn	4bn
Net profits	129m	110.4m
Net per share	1.17	1

USAIR
US domestic airline

Fourth quarter	1986 $	1985 $
Revenue	483.4m	437.5m
Net profits	32.1m	31.6m
Net per share	1.06	1.09
Twelve months		
Revenue	1.84bn	1.77bn
Net profits	98.4m	117.1m
Net per share	3.34	4.06

GEORGIA PACIFIC
Forest products

Fourth quarter	1986 $	1985 $
Revenue	1.78bn	1.59bn
Net profits	83m	33m
Net per share	0.75	0.27

US WEST
Telecommunications

Fourth quarter	1986 $	1985 $
Revenue	2.06bn	2bn
Net profits	†205.9m	232.9m
Net per share	1.06	1.20

WHIRLPOOL
Household appliances

Fourth quarter	1986 $	1985 $
Revenue	942.9m	928.4m
Net profits	42.2m	40.8m
Net per share	0.57	0.68

NEW INTERNATIONAL BOND ISSUES

Borrowers	Amount m.	Maturity	Av. life years	Coupon %	Price	Book Runner	Offer yield %
U.S. DOLLARS							
Kurita Water ¶‡	30	1992	5	3¼	100	Nikko Secs. (Europe)	3.250
Toshiba Eng. & Con. ¶‡	50	1992	5	3¼	100	Daiwa Europe	3.250
Charter Consolidated ‡	75	1994	7	8¼	100¼	UBS (Secs)	8.202
Nishimatsu Con. ¶	50	1992	5	(3¼)	100	Yamaichi Int. (Eur)	*
Ssangyong (USA) (b) †‡	25	1992	5	⅛	100	Bankers Trust Int.	–
Export Cr. Ins. (S'pore) (c) †‡	50	1992	5	3/16	100	St. Chart. M. Bk Asia	–
Nishin Steel Co. ‡	70	1992	5	7⅝	101½	Nomura Int.	7.257
Hino Motors ¶	80	1992	5	(3¼)	100	Nikko Secs. (Europe)	*
Thomson Brandt Int ◊‡	150	1994	7	8	103⅛	Banque Paribas	7.412
Austria ‡	200	1997	10	7¾	101¾	Mgn Guaranty, LTCB Int.	7.495
Skandia Int. Holding ‡	200	1992	5	7¼	101¼	Morgan Stanley	6.946
Elders UK §	75	1997	10	(5)	100	CSFB	*
American Barrick Res. (f) §	50	1992	5	2	*	Banque Paribas	*
CANADIAN DOLLARS							
City of Montreal ‡	85	1997	10	9	101¾	Societe General	8.731
AUSTRALIAN DOLLARS							
Swedish Export Cr. ‡	50	1990	3	14½	101½	County NatWest	13.855
Royal Trustco ‡	50	1992	5	14⅞	101⅞	County NatWest	14.325
World Bank ‡	100	1992	5	14⅛	101½	Orion Royal Bank	13.881
New South Wales ‡	50	1990	3	14¾	101	Salomon Brothers	14.317
D-MARKS							
Generale Int. Fin. ¶‡	350	1994	7	2½	100	Deutsche Bank	2.500
World Bank ‡	700	1997	10	5⅞	100	Deutsche Bank	5.875
Honeywell Inc. ‡	150	1997	10	6¼	100	Chase Bank	6.250
ECSC ‡	175	1997	10	5⅞	99½	Dresdner Bank	5.943
Japan Finance ‡	100	1997	10	5¾	99½	Deutsche Bank	5.817
SWISS FRANCS							
Bio Cap. Holding Co. (a) §‡	100	2002	–	5½	100	Bqe Gutzwiller, K. B.	5.500
Daiwa Bank** §‡	100	1992	–	1¾	100	SBC	1.750
Finnish Real Estate	150	1993	–	(4¾)	*	J. Henry Schroder Bk	*
Hokkaido Elec. Power ‡	150	1997	–	4¾	100½	SBC	4.686
Power Financial	120	1997	–	(5)	*	Bqe Paribas (Suisse)	*
Elders UK** §	125	1997	–	(2)	100	Credit Suisse	*
Yokkaichi Warehouse** ‡	20	1992	–	4¾	100¼	Credit Suisse	4.693
City of Kobe ‡	100	1997	–	4½	100¼	Credit Suisse	4.468
Takisawa Machine Tools** ‡	10	1992	–	4¾	100¼	SBC	4.683
STERLING							
GMAC UK Finance ‡	40	1992	5	10½	101⅝	Hambros Bank	10.071
NHL First Funding (d) †‡	50	2013	5–7	20bp	100	Salomon Brothers	–
Elders UK §	85	1997	10	(7)	100	CSFB	*
ECUs							
Mortgage Bk Denmark ‡	75	1997	10	7¾	101⅛	IBJ Int.	7.585
Nederlandse Gasunie ‡	50	1994	7	7½	101⅝	Mitsubishi Finance	7.196
Denmark ‡	200	1994	7	7⅝	101⅜	Yamaichi Int. (Eur)	7.367
Cariplo ‡	100	1995	6.8	7¾	101¼	Societe Generale	7.543
FRENCH FRANCS							
Credit Foncier (e) †◊‡	1bn	1994	7	35bp	100	BNP	–
YEN							
Denmark ‡	100bn	1992	5	5⅛	101¾	Nikko Secs. (Europe)	4.724
Sweden ‡	50bn	1994	7	5¼	101¾	Nomura Int.	4.948

* Not yet priced. ‡ Final terms. ** Private placement. † Floating rate notes. ¶ With equity warrants. ◊ With bond warrants. § Convertible. ‖ Currency-linked. (a) Collateralised convertible. (b) ⅛ over 6m Libor. (c) 3/16 over 6m Sibor. (d) 20bp over 3m Libor, paid quarterly, linked to UK residential mortgages. (e) 35bp over 3m French T-Bills, paid quarterly. (f) Gold convertible. Note: Yields are calculated on AIBD basis.

UK COMPANY NEWS

Australian bidder blocks IIS plan for unitisation

BY RICHARD TOMKINS

Panfida Capital, the Sydney-based vehicle bidding for "Investing in Success" Equities, appears to have delivered a setback to IIS's defence by announcing that it will refuse to support plans for the trust's unitisation.

Panfida last week revised its cash offer for IIS to the equivalent of 97 per cent of net asset value. IIS has responded with plans to unitise itself—a course of action which IIS's board believes would realise about 99 per cent of formula net asset value, so making this course of action look more attractive to shareholders than Panfida's offer.

However, Panfida now says that unitisation of IIS is not a viable alternative because the Panfida concert party has a sufficiently high stake in the trust to prevent it.

"The directors of Panfida, on behalf of the concert party, wish to make it absolutely clear that they have no intention of supporting unitisation proposals. As the concert party currently holds 28.7 per cent of IIS, the requisite 75 per cent majority to implement unitisation cannot be obtained," Panfida says.

RMC acquires Wettern

RMC is to take over Wettern Brothers in an agreed bid which values the Kent quarry operator at £2.52m.

The building materials group is to pay 150p in cash or loan notes for the 70.63 per cent of Wettern that it does not already own. With RMC 16p higher at 750p, its 41-for200 share alternative is worth 153.7p. Wettern, which had announced last month that it was in bid talks, fell 22p to 151p.

RMC said that yesterday's deal would secure an additional source of sand and aggregates. Last year it bought about a quarter of the silica sand produced at Wettern's quarry near Maidstone.

RMC had treated its minority stake, bought in 1983, as a trade investment. The full offer followed an approach to RMC by certain family shareholders who wanted to sell part of their stakes.

British Airways

The number of people who have applied for information packs on the British Airways flotation is 500,000, not 50,000 as a typographical error in Saturday's FT suggested.

Britannia Security expansion

Britannia Security Group has acquired Photovision a design and supplier of closed circuit TV and video security systems.

The purchase price, which is linked to future performance, will be a maximum of £332,480. The consideration will be made up of 45.5 per cent cash and 55.5 per cent new shares in Britannia.

Photovision's turnover and pre-tax profit for the first two full years ended February 28, 1985 and 1986 were £311,862 and £22,815 and £737,582 and £55,174 respectively. Audited net assets at February 28 1986 were £73,786.

Britannia has also acquired from Blake & Gillingham Alarms its business of supplying, installing and maintaining security systems primarily in the Medway towns.

COMPANY NEWS IN BRIEF

INDEPENDENT INVESTMENT Company reported a fall from 312.07p to 301.86p in its net asset value for the six months to December 31 1986. Pre-tax profits rose substantially from £113,000 to £947,000. Investment income rose from £408,000 to £1.28m. Deposit interest received was £43,000 compared with £112,000. Interest and expenses totalled £379,000 (£407,000). Tax for the period was considerably higher at £323,000 against £73,000. Stated earnings per 25p share rose from 0.08p to 2.16p.

DERBY TRUST had net assets per capital share of 306p at the end of last year. In last Thursday's report, the shares were incorrectly described as income.

JEFFERSON SMURFIT Corporation, the US subsidiary of Jefferson Smurfit Group, reported record pre-tax profits of $58.23m (£38.31m) for 1986 against $29.83m. Net sales were up from $630.43m to $944.37m. Directors said the performance was due to Publishers Paper, acquired in February, and improvements in the container board and corrugated box markets. After tax of $27.9m ($13m) and a minority credit of $2.33m (nil) net income per share came out at $1.46 (88 cents).

MOORGATE GROUP's US subsidiary, Moorgate Group Inc, is to buy Millenium Design Communications, a Madison Avenue agency in the advertising, promotion and direct-mail fields. The proposed consideration is $320,000 (£210,500), of which $220,000 will be in cash and the balance in Moorgate's shares based on the price at completion date. It is anticipated the deal will be concluded in early February. Moorgate is a USM-quoted financial marketing services group, Millenium's gross billings in 1986 were in excess of $10m.

CHRYSALIS GROUP; Mr Chris Wright, chairman, told the annual meeting that with all divisions in the group trading ahead of budget, he was convinced the current year's results would show a substantial advance on last year. The directors intended to use the proceeds of the recent disposal of Kingsmead Hotels as the basis for expansion and to that end the group identified and were pursuing a number of potential leisure-based acquisitions.

ALLIED PLANT GROUP said that as a result of the impending expiry of an option over shares granted to him by an institutional shareholder, Mr Martyn Rose, the company's chairman and chief executive, has exercised that option over 800,000 ordinary which have subsequently been sold through the market. No further shares are subject to such option arrangements. Mr Rose continues to hold 1,128,335 ordinary on a long-term basis.

WARDLE STOREYS said negotiations were taking place with Weston Hyde Products over the purchase of Hyde's coated fabrics business. Negotiations should be completed in the near future and that would lead to production being concentrated at Wardle's factories in Earby and Brantham.

F.T. Share Information

The following securities have been added to the Share Information Service.

Capital & Regional Props (Section: Property)
Johnson Fry (Trusts, Finance Land)
Miss Sam (Drapery & Stores)
Nationwide Bldg Soc 11⅛pc 21.12.87 (Loans, Building Societies)
Nobo Group (Industrials)
Omnicorp Invs (Leisure)
Pacific Dunlop (Industrials)

Public Works Loan Board rates

Years	Quota loans repaid by EIP† %	A‡ %	at maturity§ %	Non-quota loans A* repaid by EIP† %	A‡ %	at maturity§ %
Effective January 7						
1	—	—	11	—	—	11¾
Over 1, up to 2	11	11	10¾	12	11½	11½
Over 2, up to 3	10¾	10¾	10¾	11¾	11½	11½
Over 3, up to 4	10¾	10¾	10¾	11¼	11½	11½
Over 4, up to 5	10¾	10¾	10¾	11¼	11¼	11½
Over 5, up to 6	10¾	10¾	10¾	11½	11¼	11¼
Over 6, up to 7	10¾	10¾	10¾	11¼	11¼	11¼
Over 7, up to 8	10¾	10¾	10¾	11¼	11¼	11¼
Over 8, up to 9	10¾	10¾	10¾	11¼	11¼	11¼
Over 9, up to 10	10¾	10¾	10¾	11¼	11¼	11¼
Over 10, up to 15	10¾	10¾	10½	11¼	11¼	11
Over 15 up to 25	10½	10¾	10½	11	10¾	10¾
Over 25	10½	10½	10½	10¾	10¾	10¾

* Non-quota loans B are 1 per cent higher in each case than non-quota loans A. † Equal instalments of principal. ‡ Repayment by half-yearly annuity (fixed equal half-yearly payments to include principal and interest). § With half-yearly payments of interest only.

BOARD MEETINGS

TODAY

Interims: Ailsa Investment Trust, Applied Holographics, Border Television, Cantors, Eve Construction, GT Japan Investment Trust, Hillards, Racal Electronics, J. Saville Gordon, Vibroplant.

Finals: Blue Arrow, Habit Precision Engineering.

FUTURE DATES

Interims—

Aerospace Engineering	Feb 5
Anglo United	Feb 2
Harvey and Thompson	Jan 28
Markheath Securities	Jan 27
Meat Trade Suppliers	Feb 3
Mercantile House	Jan 27
Trade Promotions Service	Mar 2
Finals—	
Samuel Properties	Jan 27

FINANCIAL TIMES STOCK INDICES

	Jan. 23	Jan. 22	Jan. 21	Jan. 20	Jan. 19	Jan. 16	1986/87 High	1986/87 Low	Since Compilation High	Since Compilation Low
Government Secs.	85.63	85.74	85.80	85.53	85.31	85.43	94.51	80.39	127.4	49.18
Fixed Interest	91.61	91.78	91.71	91.65	91.66	91.52	97.68	86.55	150.4	50.53
Ordinary	1425.9	1404.1	1386.7	1399.0	1397.0	1403.0	1425.9	1094.3	1425.9	49.4
Gold Mines	322.7	323.8	328.0	335.4	335.2	333.0	357.8	185.7	734.7	43.5
FT-Act All Share	896.04	886.96	879.81	887.75	886.68	891.38	896.04	664.42	896.04	61.92
FT-SE 100	1795.3	1777.5	1761.6	1778.9	1778.4	1789.0	1795.3	1370.1	1795.3	986.9

UK COMPANY NEWS

Barrow acquisition strengthens bid defence

BY RICHARD TOMKINS

Barrow Hepburn, the engineering and chemicals group which is fighting an unwanted bid from Yule Catto, the plantations and chemicals group, has won the overwhelming approval of its shareholders for the acquisition of specialist paint manufacturer, Tor Coatings.

The £3.15m cash and shares deal is a significant step in Barrow Hepburn's defence strategy. It also puts 12 per cent of the group's expanded share capital in the hands of holders who have undertaken not to sell before the end of this year without the board's consent.

In another development, Professor Roland Smith, Barrow Hepburn's chairman, wrote to the group's shareholders over the weekend criticising Yule Catto's recent financial performance.

He said Yule Catto's profits estimate showed that there had been little growth in its overall business in 1986. Profits before tax for the year to December were estimated at £10.7m, only 5.1 per cent above the 1985 figure.

Trading profits from Yule Catto's own managed subsidiaries fell by nearly 17 per cent in 1985, and by 18 per cent in the first half of 1986, Professor Smith said. "Yule Catto has, therefore, become increasingly dependent on its share of profits of associated companies, over which it can have only limited influence."

He also says a majority of Yule Catto's capital is tied up in its plantation interests, yet only 6.4 per cent of the company's estimated 1986 earnings came from this source.

He asks whether the "collapse" of Yule Catto's plantation profits in 1986 puts a question mark over the value of these assets, and thus over the true value of Yule Catto's shares.

Barrow Hepburn's acquisition of Tor Coatings was approved at an extraordinary general meeting on Friday by 12.7m votes to 68,032. Professor Smith said he was heartened by the strong support which shareholders had given the move against the background of Yule Catto's "misleading criticisms" of the acquisition.

Professor Smith said Tor was a valuable addition to Barrow Hepburn's growing chemical business.

Barrow Hepburn is now believed to be poised to fight any higher offer from Yule Catto with forecast profits of around £3m for 1987, against an estimated £2.2m for the year just ended.

Clay Harris looks at the closing stages of ECC's bid for Bryant

A choice between loyalty and temptation

WHEN Bryant Holdings raised £17.4m from shareholders last October, directors sold their rights to 2.4m shares. Tomorrow they may wish they had those shares back.

The hotly-contested £187m bid by English China Clays for the housebuilder and property developer may well turn on such a relatively small number of shares, less than 3 per cent of Bryant's equity. But Bryant has other reasons to rue the price and timing of the rights issue, the first cash call since it went public in 1960.

It prompted ECC, the Cornish-based clays, quarrying and construction group, to proceed with its long-studied plan to bid for Bryant and gave it a discreet chance to pick up an early stake.

Bryant's decision to issue shares at 90p only 3½ months ago has undermined its subsequent efforts to argue that ECC's final terms, worth at least 180p, undervalued the company.

The rights issue also pointed to Bryant's pressing need to reduce the borrowing required to finance its land bank, one of the richest in Britain.

Independence

And the very fact that directors and a Bryant family trust felt that they could not afford to take up their rights, and yet did not feel that control was at risk, may prove to be a fatal miscalculation for a company proud of more than a century of independence.

As a civil engineer and contractor, Bryant was a major exponent of industrialised building methods in the 1960s, responsible for many projects around its Midlands base. It successfully weathered the decline in public building projects and transformed itself into a leading second-rank housebuilder, selling 2,200 last year.

Apart from skirmishes on the flanks, the battle for Bryant has been fought on one field: who can squeeze the best profits out of the company's resources? Is it better for Bryant to continue as an independent builder of high-quality houses or would ECC improve margins while giving shelter within a larger, diversified group?

Bryant has forecast a 55 per cent rise in pre-tax profits to £21m in the current year with a further 24 per cent advance to £26m in prospect for 1987-88. The forecasts are hostages to factors outside the company's control but ECC has not shied away from admitting they are achievable.

Sharp rise

The sudden sharp rise, however, has introduced a credibility factor. If such profits can be achieved and maintained, why have they failed to appear earlier?

Although Bryant's restrained policy wins support from analysts who remember that land prices can slide as well as soar, Mr Chris Bryant, chairman, admitted candidly late last week that the company had been "over-conservative" in the past, "protecting ourselves from a rainy day that never came."

But he argued forcefully that pre-tax profits had grown by a compound annual growth rate of 19.8 per cent over the last 10 years, and pointed out that Bryant's share price had outperformed ECC's by even more than it had the market over that period.

Bryant's profit forecasts do not inclue any further sales of land, but some analysts question whether it will have sufficient cash flow to keep its bank at three to four years' supply.

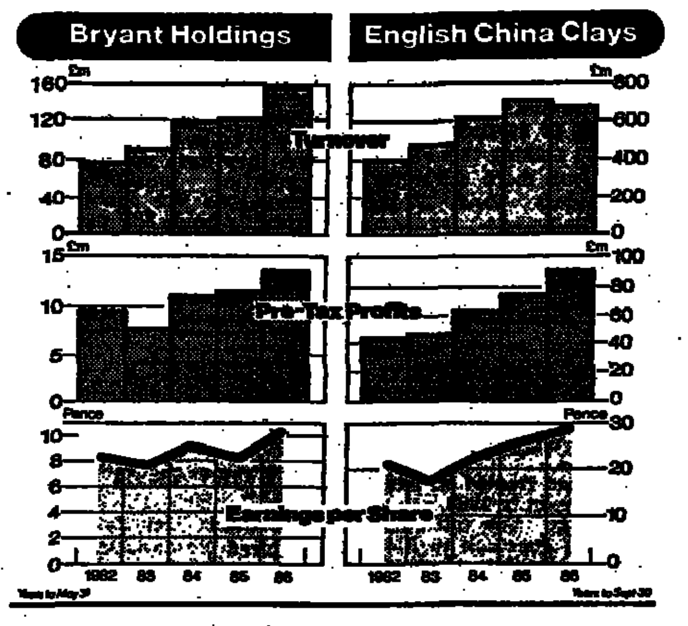
For ECC, the logic of a further move into housebuilding is uncontestable. It has long needed to diversify from its dependence on industrial minerals, which still account for two-thirds of profits.

Its clay business is simply far too exposed to the cyclical demand from the paper market, and ECC has been criticised in recent years for failing to take full advantage of the market when it is strong.

Better choice

Housebuilding looks certain to be a better choice than the Haven leisure business, which it sold to Rank last February. It puts the cash flow from clays to good use and ties in with the quarry operations. Based on last year's figures for both companies, housebuilding would double its contribution to ECC profits to about 18 per cent.

The danger is that Bryant's asset revaluation, from 81p to 187p per share, has forced ECC to raise its offer over the odds.



"ECC is paying too much," boldly states one analyst who follows the construction industry. "What is not clear, is why they want to go the route of a contested bid." Land could have been bought more cheaply, but not as quickly, through negotiation.

"If we sincerely believed that we were paying anything over the top, we would not have made the revised offer on the terms we did," says Mr Robert Carlton-Porter, ECC finance director. "The increased efficiencies that we will bring to the operation will more than sustain the price we are paying."

ECC specifically wanted Bryant's strong assets in the South-East and Midlands to tie in with its own strength in the South and South-West. It also argues that it can improve margins, especially in the trade-up market in which Bryant is so strong.

Bryant dismisses ECC's own housebuilding operations as being limited to first-time, and last-time, buyers, and says that ECC's claim on marging simply reflects the acounting treatment of land acquired with the takeover of Swindon-based Bradleys in 1984.

So long as the housing market stays firm, ECC should emerge unscathed. But adverse movements in interest rates, plus any sustained weakness in prices, could leave Bryant's land bank looking expensive.

Bryant has tried to capitalise on this, arguing that it could develop the land more profitably than ECC, which would have to take into account a much higher acquisition cost. Bryant's latest effort to warn of the danger of dilution to ECC's earnings if the bid succeeds was more than just a late defence tactic.

ECC is reluctant to clarify its chairman's extemporaneous statement that there would not be "significant" dilution of earnings per share. And its purchases in the market indicate a willingness to soak up as many shares as possible with cash rather than shares.

ECC says it would keep Bryant's contracting side to act as the nucleus of its future plans to enter the urban refurbishment market. But it would phase out Bryant's portfolio of investment property.

Unfortunately for Bryant, the Guinness scandal has focussed much more attention on bid tactics, even legitimate ones. Some of its efforts have caused analysts disposed to favour existing management, or at least to give it the benefit of the doubt, to shake their heads with dismay.

They were especially perturbed by Brayant directors' decision to invest £2.1m — one-tenth of the staff pension fund's assets — in Bryant shares at what may turn out to be bid-inflated prices. Doubts were not allayed by a subsequent poll which found solid support from employees.

Another analyst, however, rejects such criticism as "facile," arguing that the company's decision was a natural reaction to try to defend the shares price.

Dried up

A rush of market buying last week took ECC's interest to 27.8 per cent, and confounded earlier suggestions that cash sellers had dried up. Bryant claimed at least 26.7 per cent.

Bryant starts the week at 174p, compared with the 190p value of ECC's share offer and its 180p cash alternative.

Bryant shareholders are faced with a choice between loyalty to the company, and the temptation to cash in on a share price that has nearly doubled in three months.

If the bid fails, the price stands to fall, at least in the short-term, but perhaps no further than 150p, according to most analysts. Both companies are quietly confident of victory tomorrow, but few outsiders are venturing to predict the outcome.

PENDING DIVIDENDS

Dates when some of the more important company dividend statements may be expected in the next few weeks are given in the following table. The dates shown are those of last year's announcements except where the forthcoming board meetings (indicated thus *) have been officially notified. Dividends to be declared will not necessarily be at the amounts in the column headed "Announcement last year."

	Date	Announcement last year
BP ...	Feb 20	Final 22.0
*Barclays Bank	Feb 26	Final 10.2
Berisford (S. & W.) ...	Feb 24	Final 7.0
*Blue Arrow	Jan 28	Final 0.8
*Gold Fields SA	Feb 9	Interim 55c
*ICI	Feb 26	Final 20.0
*Lloyds Bank.......	Feb 27	Final 13.5
*Lonrho	Jan 29	Final 7.0
Magnet and Southerns...	Jan 15	Interim 2.0
McAlpine (Alf)	Feb 24	Final 8.7
Marley	Feb 24	Final 2.35
*Mercantile House...	Jan 27	Interim 4.25
Midland Bank...	Mar 5	Final 14.5
*NatWest	Feb 24	Final 18.2
Peachey	Feb 18	Interim due
Plessey	Feb 20	Interim 2.072
*Racal	Jan 27	Interim due
*Reuters	Feb 11	Final 2.0
Royal Ins	Feb 27	Final 16.55
Securicor	Feb 12	Final 0.673
*Shell	Mar 5	Final 22.5
*Smith (W. H.)	Jan 28	Interim 2.0
*TSB	Jan 29	Final due
Vickers	Feb 24	Final 8.0
York Chems......	Feb 26	Final 3.0

* Board meeting intimated. † Rights issue since made. ‡ Tax free. § Scrip issue since made. ¶ Forecast

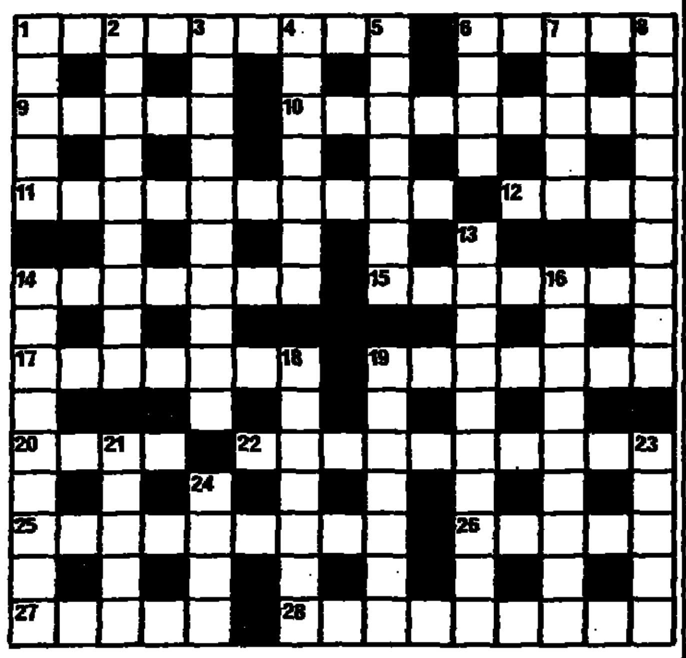
AUTHORISED UNIT TRUSTS

FT UNIT TRUST INFORMATION SERVICE

INSURANCES

FT CROSSWORD PUZZLE No. 6,236

DANTE



ACROSS

1 Crude oil in a USA State (9)
6 Scene of a towering row (5)
9 House deposit? (5)
10 Looking about (9)
11 A pretty sash for a Scot's dance (10)
12 Pretty loud music (4)
14 Heraldic figure, one formerly seen in the fifties (7)
15 Very fine pieces of wood (7)
17 Strangely there's no sense in unity (7)
19 Cover charge? (7)
20 Founder of a place of iniquity. (4)
22 Men's assets as a basis for taxation (10)
25 Celt with an eye disorder easily made light of (9)
26 Beer is put in the passage (5)
27 A headlock (5)
28 Charm died out when dissipated (9)

DOWN

1 Still producing cheerful songs (5)
2 Kind of steak that is rarely served (9)
3 Shows we have to clarify our views (10)
4 It is pressed into use when distribution by air is required (7)
5 A capital lager is brewed here (7)
6 It goes up the Severn to try to find oil (4)
7 African port bar that is smashed up (5)
8 Calculating power (9)
13 A stew keeps? Perhaps, but it's a gamble (10)
14 Be quick to show pride in appearance (4,5)
16 Ivan's rule was terrible in general (9)
18 Stay and use up the money going round America (7)
19 When about 50, this lady is unequalled (7)
21 One of the family on the Riviera, we hear (5)
23 Mind about the mid-afternoon drift (5)
24 A word of agreement, or more than one (4)

The solution to last Saturday's prize puzzle will be published with names of winners next Saturday.

AUTHORISED UNIT TRUST & INSURANCES

Cannon Assurance Ltd
1 Olympic Way, Wembley HA9 0NB 01-902 8876

2nd Series Life Accumulation				
Equity	350.8	371.2	+3.7	–
High Income	301.1	318.6	+2.7	–
Property	216.6	229.2		–
Managed	256.1	271.0	+1.9	–
Deposit	176.4	186.7		–
Gilt	181.3	191.9	+1.3	–
American	257.5	272.5	+2.9	–
International Money	199.6	211.1	+0.8	–
Index	109.8	116.2	+0.6	–
Far East	208.7	220.8	–0.9	–
Global	104.4	110.5	+0.2	–
European	109.9	116.3	+0.4	–
Japan	113.6	120.2	–0.6	–
Residential Property	96.7	102.3		–
2nd Series Pension Accumulation				
Equity	558.1	590.6	+6.5	–
High Income	357.9	378.7	+3.6	–
Property	304.1	321.8		–
Managed	370.2	391.7	+3.0	–
Deposit	261.9	277.1		–
Gilt	255.6	270.7	+1.3	–
American	405.6	428.1	+5.0	–
International Money	286.4	303.1	+1.6	–
Index	120.7	127.7	+0.7	–
Far East	230.5	243.9	–1.1	–
Global	107.0	113.2	+0.2	–
European	114.0	120.6	+0.5	–
Japan	118.8	125.7	–0.8	–
Residential Property	97.4	103.1		–
Other Funds				
Equity Units		75.05	+0.80	
Property Units		22.87		
Equity Bond/Exec	46.64	49.10	+0.32	–
Property Bond/Exec	30.90	32.70		–
Balanced Bond/Exec	36.05	38.33	+0.28	–
L&E SIF 1	119.5	126.0	+1.0	–
L&E SIF 2	77.5	82.0	+0.5	–

City of Edinburgh Life Assurance
46 Charlotte Sq, Edinburgh EH2 4HQ 031-225 1655

INSURANCE, OVERSEAS & MONEY FUNDS

OFFSHORE AND OVERSEAS

MANAGEMENT SERVICES

Money Market Trust Funds

Money Market Bank Accounts

66 Cannon St, EC4N 6AE 01-236 1425
Money Mkgt. Acc. 10.625 7.94 11.52 3-Mth

Phillips & Drew Trust Ltd
120 Moorgate, London EC2M 6XP 01-628 9771
High Int Chq Acc 10.75 8.04 11.46 Qtr

Provincial Trust
30 Ashley Rd, Altrincham, Cheshire 061-928 9011
High Int Chq Acc 11.00 8.22 12.03 Mth

Royal Bank of Scotland plc
42 St Andrew Sq, Edinburgh EH2 2YE 031-557 0201
Premium Account 10.37 7.75 11.24 Qtr

Save & Prosper/Robert Fleming
28 Western Rd, Romford RM1 3LB 0708 66966
H.I.B.A. 10.03 7.50 10.97 Daily

Tyndall & Co
29-33 Princess Victoria St, Bristol 0272 732241
Demand Acc 10.60 7.92 11.50 Qtr
Money Acc 10.53 7.87 11.42 Qtr

J. Henry Schroder Wagg & Co Ltd
Enterprise House, Portsmouth 0705 827733
Special Acc 10.00 7.48 10.98 Mth
Over £10,000 10.25 7.66 11.17 Mth

Western Trust & Savings Limited
The Moneycentre, Plymouth PL 1SE 0752 224141
High Int Chq Acc 11.13 8.32 12.08 Qtr

Wimbledon & South West Finance Co Ltd
114 Newgate St, London EC1A 7AE 01-606 9485
High Int Cheque Acc 11.25 8.41 12.23 Qtr

NOTES—Gross: rate to those exempt from composite rate of tax. Net: actual rate after deduction of CRT. Gr Equiv CAR: Gross equivalent to basic rate taxpayers—compounded annual rate. Int Cr: frequency interest credited.

NOTES

Prices are in pence unless otherwise indicated and those designated $ with no prefix refer to U.S. dollars. Yields % (shown in last column) allow for all buying expenses. Prices of certain older insurance linked plans subject to capital gains tax on sales. a Offered prices include all expenses. b Today's prices. c Yield based on offer price. d Estimated. g Today's opening price. h Distribution free of UK taxes. p Periodic premium insurance plans. s Single premium insurance. x Offered price includes all expenses except agent's commission. y Offered price includes all expenses if bought through managers. z Previous day's price. ¶ Guernsey gross. # Suspended. ♦ Yield before Jersey tax. † Ex-subdivision. ‡‡ Only available to charitable bodies. ♦ Yield column shows annualised rates of NAV increase. xd ex dividend.

TRADITIONAL OPTIONS

3-month call rates

Industrials	p		
Allied-Lyons	27	NEI	8
Amstrad	15	Nat West Bk	48
BAT	35	P & O Dfd	45
BOC Grp	28	Plessey	16
BSR	11	Polly Peck	16
BTR	26	Racal Elect	15
Babcock	16	RHM	24
Barclays	42	Rank Org Ord	45
Beecham	40	Reed Intnl	25
Blue Circle	55	STC	13
Boots	22	Sears	12
Bowaters	32	TI	40
Brit Aerospace	42	TSB	8
Brit. Telecom	17	Tesco	36
Burton Ord	26	Thorn EMI	42
Cadburys	17	Trust Houses	15
Charter Cons	24	Turner Newall	18
Comm Union	28	Unilever	140
Courtaulds	26	Vickers	36
FNFC	17	Wellcome	17
Gen Accident	75	**Property**	
Gen Electric	15	Brit Land	26
Glaxo	85	Land Securities	30
Grand Met	40	MEPC	32
GUS 'A'	85	Peachey	24
Guardian	75	**Oils**	
GKN	24	EOM	3½
Hanson Tst	18	Brit Petroleum	50
Hawker Sidd	42	Burmah Oil	32
ICI	75	Charterhall	4
Jaguar	42	Premier	3½
Ladbroke	32	Shell	65
Legal & Gen	20	Tricentrol	8
Lex Service	32	Ultramar	17
Lloyds Bank	38	**Mines**	
Lucas Inds	46		
Marks & Spencer	18	Cons Gold	62
Midland Bk	48	Lonrho	22
Morgan Grenfell	26	Rio T Zinc	62

A selection of Options traded is given on the London Stock Exchange Report Page.

LONDON SHARE SERVICE

BRITISH FUNDS

"Shorts" (Lives up to Five Years)

Interest Due		Stock	Price £	Last xd	Yield Int.	Yield Red.
10 Aug	10 Feb	Treas 10¼pcCv '87	99[illegible]	5.1	—	—
24Aug	24Feb	Exch 2½pc 1987	99[illegible]xd	19.1	2.51	—
6Oct	6Apr	Exch. 10½pc 1987	99[illegible]	1.9	10.51	10.92
1 Nov	1 May	Funding 6½pc 85-87	99[illegible]	25.9	6.55	9.66
12Dec	12Jne	Treas. 10pc 1987	99[illegible]	18.12	10.02	10.51
14Jan	14Jly	Treas 3pc 1987	97[illegible]	8.12	3.07	8.06
3May	3Nov	Treas. 12pc 1987	101[illegible]	29.9	11.87	10.43
26 Jul	26 Jan	Treas 7¾pc 1985-88‡‡	98[illegible]	22.12	7.91	9.87
10Nov	10May	Exch 10½pc '88	100[illegible]	6.10	10.48	10.35
14Dec	14Jne	Treas 9¾pc Cv '88	99[illegible]	18.12	9.83	10.35
1Jan	1Jul	Transport 3pc '78-88	93[illegible]	25.11	3.21	7.91
25 Apr	25 Oct	Treas. 9½pc '88	98[illegible]	18.9	9.64	10.38
22 Aug	22 Feb	Treas 11½pc 1989	102xd	16.1	11.27	10.40
18 Oct	18 Apr	Treas 9½pc Cnv 1989	98¼	11.9	9.66	10.31
15Nov	15May	Treas 3pc 1989	90	9.10	3.34	7.87
14Dec	14Jun	Treas 10½pc 1989	100[illegible]	18.12	10.46	10.29
1Feb	1Aug	Exch 10pc 1989	99[illegible]xd	29.12	10.07	10.34
29 Mar	29 Sep	Exch 11pc 1989	101¼	26.8	10.84	10.34
15 Apr	15 Oct	Treas 5pc 1986-89	90[illegible]	8.9	5.50	8.85
15 May	15 Nov	Exch 10¼pcCv '89	101[illegible]	9.10	10.08	9.64
15 Jul	15 Jan	Treas 13pc 1990‡‡	106[illegible]	9.12	12.17	10.26
12 Aug	12 Feb	Exch 11pc 1990‡‡	101[illegible]xd	6.1	10.80	10.29
22 Sep	22 Mar	Exch. 12½pc 1990	105[illegible]	18.8	11.81	10.27
8 Nov	8 May	Treas. 3pc 1990	85[illegible]	2.10	11.81	8.15
15 Dec	15 Jun	Treas 8¼pc 1987-90‡‡	94½	18.12	8.69	9.87
25 Apr	25 Oct	Treas. 10pcCv 1990	99[illegible]	18.9	10.09	10.29

Five to Fifteen Years

Over Fifteen Years

Undated

Index-Linked

INT. BANK AND O'SEAS GOVT STERLING ISSUES

CORPORATION LOANS

COMMONWEALTH & AFRICAN LOANS

LOANS

Building Societies

Public Board and Ind.

Financial

FOREIGN BONDS & RAILS

AMERICANS

AMERICANS—Cont.

CANADIANS

BANKS, HP & LEASING

Hire Purchase, Leasing, etc.

BEERS, WINES & SPIRITS

BUILDING, TIMBER, ROADS

BUILDING, TIMBER, ROADS—Cont

CHEMICALS, PLASTICS

DRAPERY AND STORES

DRAPERY & STORES—Cont.

ELECTRICALS

ENGINEERING

ENGINEERING—Continued

FOOD, GROCERIES, ETC

HOTELS AND CATERERS

INDUSTRIALS (Miscel.)

INDUSTRIALS—Continued

INDUSTRIALS—Continued

[illegible]

INSURANCES

[illegible]

LEISURE

[illegible]

LEISURE—Continued

[illegible]

MOTORS, AIRCRAFT TRADES

Motors and Cycles

[illegible]

Commercial Vehicles

[illegible]

Components

[illegible]

Garages and Distributors

[illegible]

NEWSPAPERS, PUBLISHERS

[illegible]

PAPER, PRINTING, ADVERTISING

[illegible]

PROPERTY

[illegible]

PROPERTY—Continued

[illegible]

SHIPPING

[illegible]

SHOES AND LEATHER

[illegible]

SOUTH AFRICANS

[illegible]

TEXTILES

[illegible]

TOBACCOS

[illegible]

TRUSTS, FINANCE, LAND

Investment Trusts

[illegible]

INVESTMENT TRUSTS—Cont.

[illegible]

Finance, Land, etc

[illegible]

FINANCE, LAND—Cont.

[illegible]

OIL AND GAS

[illegible]

OVERSEAS TRADERS

[illegible]

PLANTATIONS

Rubbers, Palm Oil

[illegible]

Teas

[illegible]

MINES

Central Rand

[illegible]

Eastern Rand

[illegible]

Far West Rand

[illegible]

MINES—Continued

O.F.S.

[illegible]

Diamond and Platinum

[illegible]

Central African

[illegible]

Finance

[illegible]

Australians

[illegible]

Tins

[illegible]

Miscellaneous

Dividends Paid		Stock	Price	Last xd	Div Net	C'vr	Gr's
—		Anglo-Dominion	198	—	—	—	—
—		♦Colby Res Corp.	24	—	—	—	—
Aug.	Feb.	Cons. Murch. 10c	£17¾	12.1	Q60c	4.4	9.9
—		♦Ennex Int. Ir10p	46	—	—	—	—
—		Greenwich Res	171	—	—	—	—
—		♦Highwood Res.	247	—	—	—	—
Fb Jun Ag Nv		Homestake Mining $1	£18	29.10	Q20c	—	0.8
—		♦McFinley Red Lake	152	—	—	—	—
—		♦Musto Explorations	123	—	—	—	—
—		♦New Sabina Res C$1	43	—	—	—	—
—		Northgate C$1	325	9/77	—	—	—
Jan.	July	RTZ	749	27.10	22.0	2.4	4.1
Jan	July	Do. 9½pcLn '95-2000	£153½	27.10	Q9½%	15.5	•

NOTES

Unless otherwise indicated, prices and net dividends are in pence and denominations are 25p. Estimated price/earnings ratios and covers are based on latest annual reports and accounts and, where possible, are updated on half-yearly figures. P/Es are calculated on "net" distribution basis, earnings per share being computed on profit after taxation and unrelieved ACT where applicable; bracketed figures indicate 10 per cent or more difference if calculated on "nil" distribution. Covers are based on "maximum" distribution; this compares gross dividend costs to profit after taxation, excluding exceptional profits/losses but including estimated extent of offsettable ACT. Yields are based on middle prices, are gross, adjusted to ACT of 29 per cent and allow for value of declared distribution and rights.

- ● "Tap Stock".
- • Highs and Lows marked thus have been adjusted to allow for rights issues for cash.
- † Interim since increased or resumed.
- ‡ Interim since reduced, passed or deferred.
- ‡‡ Tax-free to non-residents on application.
- ♦ Figures or report awaited.
- ♦ Not officially UK listed; dealings permitted under Rule 535(4)(a).
- ♦ USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- ‡‡ Dealt in under Rule 535(3).
- ♦ Price at time of suspension.
- ¶ Indicated dividend after pending scrip and/or rights issue: cover relates to previous dividend or forecast.
- ♦ Merger bid or reorganisation in progress.
- ♦ Not comparable.
- ♦ Same interim: reduced final and/or reduced earnings indicated.
- § Forecast dividend; cover on earnings updated by latest interim statement.
- ‡ Cover allows for conversion of shares not now ranking for dividends or ranking only for restricted dividend.
- ☆ Cover does not allow for shares which may also rank for dividend at a future date. No P/E ratio usually provided.
- ‖ No par value.

B.Fr. Belgian Francs. Fr. French Francs. ♦♦ Yield based on assumption Treasury Bill Rate stays unchanged until maturity of stock. a Annualised dividend. b Figures based on prospectus or other offer estimate. c Cents. d Dividend rate paid or payable on part of capital, cover based on dividend on full capital. e Redemption yield. f Flat yield. g Assumed dividend and yield. h Assumed dividend and yield after scrip issue. j Payment from capital sources. k Kenya. m Interim higher than previous total. n Rights issue pending. q Earnings based on preliminary figures. s Dividend and yield exclude a special payment. t Indicated dividend: cover relates to previous dividend, P/E ratio based on latest annual earnings. u Forecast, or estimated annualised dividend rate, cover based on previous year's earnings. v Subject to local tax. x Dividend cover in excess of 100 times. y Dividend and yield based on merger terms. z Dividend and yield include a special payment: Cover does not apply to special payment. A Net dividend and yield. B Preference dividend passed or deferred. C Canadian. E Minimum tender price. F Dividend and yield based on prospectus or other official estimates for 1986-87. G Assumed dividend and yield after pending scrip and/or rights issue. H Dividend and yield based on prospectus or other official estimates for 1986. K Dividend and yield based on prospectus or other official estimates for 1987-88. L Estimated annualised dividend, cover and p/e based on latest annual earnings. M Dividend and yield based on prospectus or other official estimates for 1985-86. N Dividend and yield based on prospectus or other official estimates for 1985. P Figures based on prospectus or other official estimates for 1983. Q Gross. R Forecast annualised dividend, cover and p/e based on prospectus or other official estimates. T Figures assumed. W Pro forma figures. Z Dividend total to date. Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xc ex capital distribution.

REGIONAL & IRISH STOCKS

The following is a selection of Regional and Irish stocks, the latter being quoted in Irish currency.

Stock	Price	+/-	Stock	Price	+/-
Albany Inv 20p	66	+4	Fin. 13% 97/02	£100¾	......
Craig & Rose £1	£14¾	......	Arnotts	395	......
Finlay Pkg. 5p	53	....	CPI Hldgs	60	......
Holt (Jos) 25p	840	......	Carroll Inds.	156xd	−2
IoM Stm. £1	78	+3	Dublin Gas	10	......
			Hall (R. & H.)	108	......
IRISH			Heiton Hldgs.	31	−2
Fund 11¾% 1988	£97½	......	Irish Ropes	146xd	......
Nat. 9¾% 84/89	£93¼	......	Unidare	350	......

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CONSTRUCTION

Devon dam project to cost £46m

ALFRED McALPINE CONSTRUCTION has been awarded a contract of just over £16m to build Roadford Reservoir dam and associated works in west Devon. The contract will take 182 weeks and preparatory work will start on site next month. The first water will be available from the impounding reservoir during the summer of 1990 and this will mark the completion of South West Water's three reservoir strategy to serve the region. Roadford Reservoir will be sited on the Devon county border just north of the A30 at Spryton Cross and will hold 8,120m gallons (36,910 megalitres). The overall cost of the scheme is around £46m and includes construction of the dam, major pumping stations and mains to North Devon and Plymouth, a viaduct, roads and various ancillary works.

★

Three contracts, worth over £9.2m, two of which involve the redevelopment of Fulham town centre and the other a derelict railway siding off London's Old Kent Road, have been awarded to WILLETT. For Inter Centre Developments, the company is to construct a supermarket shell, five shops, a multi-storey car park and eight flats in Fulham's Heckfield Place, at a cost of £2.8m. Close by, Trafalgar House Developments has commissioned Willett to design and build a five-storey office block worth nearly £1.5m. Across the city Willett, part of the Trafalgar House Group, has started work on a £4.9m plus maintenance, distribution and office centre on a former railway siding for a telecommunications company. This also is due for completion next summer.

★

Lichfield-based CLARKE CONSTRUCTION (MIDLANDS) has been awarded the £1.27m contract to complete Safeway's 2,874 sq metre supermarket being built in Stratford Road, Shirley, Solihull. Clarke Construction will begin fitting-out this month and complete the project in time for Safeway to hold an official spring opening in May.

Bovis starts on major Thamesside development

BY JOAN GRAY, CONSTRUCTION CORRESPONDENT

BOVIS is about to start work on a £100m project to turn 10 acres of derelict industrial land by the River Thames at Fulham, West London, into an industrial, housing and leisure development to be named Sands Wharf.

Sands Wharf is to be built on the site of the old Fulham power station and a disused BP oil depot.

When complete, it will have 90,000 sq ft of commercial, studio and light industrial space, 250 luxury apartments by the riverside, 80 low-rent homes to be provided to the local authority under the terms of the planning consent, and the world's largest indoor tennis centre.

Sands Wharf is less than a quarter of a mile from Bovis' £150m residential, shopping and marina development at Chelsea Wharf, a little further down the Thames.

As a result, the company is now forming ambitious plans to see its developments stretching all the way along the waterfront from Chelsea to Fulham.

Mr George Thomas, the regional commercial director of Bovis Homes who is responsible for the Sands Wharf development, has already acquired the lease of the adjacent seven-acre site where a disused oil installation is being abolished. He is also hoping to acquire the disused British Gas gasworks and training centre site and the Greenham readymix concrete depot further along the river.

The centrepiece of the Sands Wharf development will be the Virginia Wade Tennis Centre. This is being built by Bovis Homes' sister company Bovis Construction for Leisure Tennis Limited.

The tennis complex will be built in the three-acre hole left by the turbines of the old power station. Ten tennis courts will be built on the lowest floor, with a car parking floor above, then eight more tennis courts and a restaurant and fitness centre. There will be a further five tennis courts on the top floor beneath a retractable roof.

Wimbledon champion Miss Virginia Wade will be particularly involved in the children's tennis training programme, designed to coach 800 children a week.

The site is being designed on an American Country Club principle, with life membership of the tennis centre available for Sands Wharf residents.

More than 400 new jobs will be created on the site when the Sands Wharf development is finished in three years' time.

With the additional employment to be offered by the Sainsbury's store to be built on the remaining five acres of the power station site next door, this will be far more than the 407 employed by the old power station when in full operation.

Improving mine facilities

HENRY BOOT is to start work this month on a £4.6m contract involving civil and building works on phase three development at North Selby Mine for British Coal. In the 22½ month contract Boot is to undertake completion of the amenity building; construction of the downcast tower (traditional reinforced concrete); the upcast tower (slipformed concrete); workshops, stores and bunker; crane and lift installations; associated buildings and external works.

The company has won a £1.4m contract for the replacement of link access stairs and lifts at four blocks of accommodation on Chalkhill Estate, Wembley. Work on the 38-week management contract has started. Work is to start this month on construction of a £1.1m three-storey council office building in Nuneaton, Warwickshire. The insitu concrete framed building (partial steel) with brick cladding will be completed in 43 weeks for Morgan Grenfell (Local Authority Finance). Other contracts recently awarded include £800,000 water treatment works in Sheffield for the Yorkshire Water Authority; additional works, valued just under £750,000, to a current contract for Norsk Hydro Fertilisers in Immingham; a £500,000 maisonette refurbishment project for the London Borough of Wandsworth; a £400,000 river diversion project for the Central Midlands Co-operative Society in Coventry and civil works at Doncaster Leisure Park valued at nearly £400,000.

DIARY DATES

Trade fairs and exhibitions: UK

January 27-29
Hirex Exhibition (01-688 7788)
Wembley Conference Centre

January 31-February 4
British International Toy and Hobby Fair (01-701 7127)
Earls Court

February 1-5
International Spring Fair (Gift section 01-855 9201, Hardware section 0604 22023)
NEC, Birmingham

February 3-4
Entrepreneurs' Exhibition (01-493 0000)
Royal Garden Hotel, W8

February 10-11
Computers in Tax Exhibition (0732 364422) Bloomsbury Crest

February 10-12
Refrigeration and Air Conditioning Exhibition (01-688 7788)
Wembley Exhibition Hall

February 12-15
Crufts Dog Show (01-493 7838)
Earls Court

February 14-22
Boat, Caravan and Leisure Show (021-236 3366) NEC, Birmingham

February 15-17
International Automotive Parts and Accessories Trade Show (01-855 7777) Olympia

February 22-24
London Pret Exhibition (01-385 1200); International Men's and Boys' Wear Exhibition (021-705 6707); Junior Fashion Fair International (01-636 1833)
All at Olympia

February 25-26
Measurement and Test Exhibition — INSTRUMENTATION (0822 4671) Harrogate

Overseas

January 31-February 8
Caravan, Camping, Car, Boat, Garden and Tourism and Leisure Exhibition (01-651 2191)
Hanover

February 21-25
International Fair for Shopfitting, Advertising and Selling—EUROSHOP (01-493 3893)
Dusseldorf

February 21-25
Spring Fair (01-734 0543)
Frankfurt

February 25-March 3
International Fairs: Food; Materials Handling and Warehousing; Packaging and Printing (021-455 9800) Brnö

March 8-11
Winter Sports Equipment Exhibition (01-439 3964) Grenoble

March 9-14
International Innovation Exhibition (01-439 3964) Paris

March 25-29
International Spring Trade Fair (01-977 4551) Vienna

Business and Management Conferences

January 2-27
Brunel Management Programme: Managing stress at work (0895 56461)
Brunel University, Uxbridge

January 27
Longman Seminars: Relief from Capital Gains Tax (01-242 4111)
Barbican Centre, EC2

January 27
NEDO: Who benefits from corporate venturing? (01-211 3100)
Café Royal, W1

January 28-30
Insurance and Reinsurance Research Groups: Cargo insurance clauses international workshop (01-236 2175)
Tower Hotel, EC3

January 28
IBC Legal Studies and Services: Takeovers and acquisitions in the US—the key issues (09323 55244)
London Press Centre, EC4

January 28
CCH Editions; the practical implications of the Financial Services Act (01-491 1322)
Hyde Park Hotel, SW1

January 28-29
Euromoney Publications: The gilts market explosion (01-236 3288) Hilton Hotel, W1

January 29-30
Financial Times Conferences: The Second FT Defence Conference—entering the American market (01-621 1355)
Hotel Inter-Continental, W1

January 30
Oracle Business Information: Basic accounting for life offices (01-727 3503)
CFS Conference Centre, W1

February 3-4
Crown Eagle Communications: Successful public relations (01-242 4111) Holiday Inn, NW3

February 3-6
INSEAD: Foreign currency options workshop (with BankAmerica Options Inc) ((1)60.72.42.14) Fontainbleau

February 5-6
VentureCorp: Leveraged buy-outs in Europe (01482 5397)
The Dorchester Hotel, W1

February 10
Longman Seminars: Film and television production — evaluation and management of risk (01-242 4111)
Barbican Centre, EC2

February 17
Longman Seminars: Will drafting and inheritance tax (01-242 4111) Barbican Centre, EC2

February 17
Information for Energy Group: Oil price information (01-636 1004)
61 New Cavendish Street, W1

February 17-18
Crown Eagle Communications: UK Government contracting (01-242 4111) Selfridge Hotel, W1

February 17-19
IRRG: The London insurance market—the way forward (01-236 2175)
The Royal Garden Hotel, W8

Anyone wishing to attend any of the above events is advised to telephone the organisers to ensure that there has been no change in the details published.

Parliament

TODAY

Commons: Timetable motion on the Local Government Finance Bill, followed by completion of remaining stages.

Lords: Teachers Pay and Conditions Bill, committee. Town and Country Planning Regulations Order.

Select committees: Public Accounts — subject: falling school rolls. Witness: Sir David Hancock, Department of Education and Science. (Room 16, 4.45 pm). Treasury and Civil Service—subject: Government spending plans, 1987-88 to 1989-1990. Witnesses: Treasury officials. (Room 8, 4.45 pm).

TOMORROW

Commons: Until about 7 pm, debate on a Government motion arising out of Mr Speaker's decision of January 22, followed by second reading of Ministry of Defence Police Bill (Lords). Motions on dockyard orders.

Lords: Teachers Pay and Conditions Bill, committee. Animals (Scotland) Bill, committee.

Select committees: Foreign Affairs—subject: ODA bilateral aid country programmes. Witness: Mr Chris Patten, Overseas Development Minister. (Room 15, 4.30 pm). Private Bill Committee—South Yorkshire light transit railway. (Room 5, 10.30 am).

WEDNESDAY

Commons: Opposition debate on a motion entitled, The Failure of the City to Serve the Nation. Motion on London Regional Transport (Levy) Order.

Lords: Debate on charity law and the Charity Commission. Debate on the effects of rent control on unemployment and homelessness. Licensing (Restaurant Meals) Bill, third reading. Infant Life (Preservation) Bill, second reading.

Select Committees: Foreign Affairs — subjects: disarmament; relations between the US and the EEC; and other issues. Witness: Sir Geoffrey Howe, Foreign Secretary. (Room 8, 10.30 am). Defence — subject: future defence of the Falklands. Witness: Ministry of Defence. (Room 16, 10.50 am). Trade and Industry — subject: motor components industry. Witnesses: Vauxhall Motors, Nissan Motor Manufacturing UK Ltd. (Room 15, 11 am). Employment — subject: The work of the Health and Safety Commission. Witness: Health and Safety Commission. (Room 8, 4.15 pm). Defence — subject: race relations and the armed forces. Witness: Mr George Younger, MP, Defence Secretary. (Room 15, 4.50 pm). Private Bills — Port of Fosdyke (Room 6, 10 am) and South Yorkshire light transit railway (Room 5, 10.30 am). Unopposed Bills — Brighton marine palace and pier, and the Mid Glamorgan County Council (Room 9, 4 pm).

THURSDAY

Commons: Debate taking note of the White Paper developments in the European Community from January to June 1986.

Lords: Consumer Protection Bill, committee. Gaming (Amendment) Bill, committee.

Select Committee — South Yorkshire Light Transit Railway (Room 5, 10.30 am).

FRIDAY

Commons: Private members' bills.

Finance

The following is a record of the principal business and financial engagements during the week. The board meetings are mainly for the purpose of considering dividends and official indications are not always available whether dividends concerned are interims or finals. The sub-divisions shown below are based mainly on last year's timetable.

TODAY

COMPANY MEETINGS—
Speyhawk, Syon Park, Brentford, Middlesex, 12.00

BOARD MEETINGS—
Finals:
Blue Arrow
Habit Precision Engineering
Interims:
Ailsa Invest. Trust
Applied Holographics
Border Television
Cantors
Eve Construction
GT Japan Invest Trust
Hillards
Saville (J.) Gordon
Vibroplant

DIVIDEND & INTEREST PAYMENTS—
Canadian Imp Bk of Commerce Fltg Rate Debs 2084 $551.98
Cranswick Mill 1.85p
FKI Electricals 0.4p
General Electric Co. 63cts
Halifax Bldg Society Fltg Rate Ln Nts 1996 (Ser A) £50.94
Penny & Giles Intl. 0.76p
Samuel (H.) 6¼pc1stDb 1985-90 1.59pc
Toronto-Dominion Bk C21cts
Treasury 7¼pcLn 1985-88 3⅞pc
Do. 7¾pcLn 2012-15 3⅞pc
Do. 2½pc Index-Linked 2016 £1.4984
Do. 2½pc Index-Linked 2016 A £1.2808

TOMORROW

COMPANY MEETINGS—
Northern American Trust, Belsize House, West Ferry, Dundee, 10.30
RHP Group, Hyde Park Hotel, Knightsbridge, S.W., 11.00
Spice, Merchant Taylor's Hall, 30 Threadneedle Street, E.C., 12.00

BOARD MEETINGS—
Finals:
Leda Invest Trust
Microsystems
Samuel Props.
Throgmorton Trust
Interims:
Biotechnology Invests
British Bloodstock Agency
Dale Electric
Markheath Securities
Mercantile House
Mhangura Copper Mines
Murray Smaller Markets Trust
Racal Electronics

DIVIDEND & INTEREST PAYMENTS—
Asprey 3.5p
Fashion & General Invest 10p
Marston, Thompson & Evershed 0.78p
Rothmans Intl. B 2.5p
Royal Bk of Scotland 6.8p
Sarasota Technology 0.8p
Wellcome 1.32p

WEDNESDAY JANUARY 28

COMPANY MEETINGS—
Crystalate Holdings, Great Eastern Hotel, Liverpool Street, E.C., 12.00
Gleeson (M. J.), Haredon House, London Road, North Cheam, Surrey, 12.00.

BOARD MEETINGS—
Finals:
Camford Engineering
Interims:
BCE Holdings
Cray Electronics
Harvey & Thompson
Mainmet
Smith (W.H.)

DIVIDEND & INTEREST PAYMENTS—
Australia (Comm. of) 13½pcLn 2010 6¾pc
Bank of Nova Scotia C18cts
Canadian Pacific (Interch transf) C12cts
Do. 4pcNon-Cum Prf Stlg 2pc
Do. 4pcNon-Cum Prf (Interch transf) Stlg 2pc
Do. 4pcNon-Cum Prf SC C2cts
Canadian Imp. Bk of Commerce C27cts
Electra Invest Tst 2p
Equity Consort Invest Tst 4.26p
Gleeson (M. J.) 4.26p
Italy (Rep. of) Fltg Rate Nts 1997 $321.86
Northern American Tst 4p
Redland 4.325p
Rexmore 0.44p
Scottish & Mercantile Invest Tst 1.4p
Do. A Non-Vtg 1.4p
Strata Invests 1.6p

THURSDAY JANUARY 29

COMPANY MEETINGS—
Bass, Bloomsbury Crest Hotel, Coram Street, W.C., 12.00
Brown (Matthew), Trafalgar Hotel, Preston New Road, Samlesbury, Preston, 12.00
Burton Group, Grosvenor House Hotel, Park Lane, W., 12.00
Chemring Group, Alchem Works, Fratton Trading Estate, Portsmouth, 2.30
Craton Lodge & Knight, Lyric House, 149, Hammersmith Road, W., 12.00
Fairline Boats, Peterborough Moat House, Peterborough, 3.00
Rank Hovis McDougall, Royal Lancaster Hotel, Lancaster Terrace, W., 12.00
Reliable Properties, Connaught Rooms, Great Queen Street, W.C., 10.30
Scottish Investment Trust, 6, Albyn Place, Edinburgh, 11.00

BOARD MEETINGS—
Finals:
Allied Textiles
Domino Printing Sciences
Edinburgh American Assets
Glass Glover
Kershaw (A.)
Jones (Ernest)
Klearfold
Lonrho
Norsk Data
Rank Organisation
TSB
Interims:
Associated Fisheries
Douglas (Robert M.)
Equipu
Finlan Group
Home Farm Prods.
London Shop Prop Trust
ML Holdings
Neepsend
Ratcliffe (F.S.) Inds.

DIVIDEND & INTEREST PAYMENTS—
A-R Television 5.9pcCumPf 2.975p
Australia & New Zealand Bkg. A16cts
Bank of Montreal Fltg Rate Db (Sers 9) 1996 $158.14
Cambrian & Gen. Secs. Secured Fltg Rate Nts 1992 $402.5
Die Erste Osterreich Spar-Casse Sub Fltg Rate Nts 1992 $345
Hawley 2.1cts
Italian Intl. Bank Fltg Rate Nts 1991 $351.39
Micro Scope 1p
Rolfe & Nolan Computer Services 1p
Shires Investment 3p

FRIDAY JANUARY 30

COMPANY MEETINGS—
Camotech, Crest Hotel, Manor Lane, Maidenhead, Berkshire, 10.00
Tunstall Group, Whitley Lodge, Whitley Bridge, Yorkshire, 11.00

BOARD MEETINGS—
Finals:
Appletree
Heavitree Brewery
Interims:
Ariel Inds.
Briscoe Channel Ship Repairs
Bromsgrove Inds.
Dyson (J. & J.)
Hallite
Haynes Publishing
Highgate & Job
Nordic Invest Trust
Sommerville (William)
Watshams
Wholesale Fittings

DIVIDEND & INTEREST PAYMENTS—
Armour Trust 0.404p
Attwoods 3.75p
Bank of NovaScotia Fltg Rate Dbs 2000 £282.97
Barclays Overseas Invest Co Gtd Fltg Rate Nts 1995 $174.74
Beatrix Mines 50cts
Beaverco 1.7p
Bestobell 5½pcRedCumPf 0.31643p
Bristol Evening Post 11p
British Car Auction 3p
BP 8pcCum1stPf 2.8p
Do. 9pcCum2ndPf 3.15p
Buffelsfontein 420cts
Campbell &Armstrong 1.3017p
Camotech 0.333p
Century Oils 1.6p
Chase Manhattan O'seas Bk Fltg Rate Nts 1993 $34.31
Chemical New York Fltg Rate Senior Nts 1999 65.1cts
Chemring 10.5p
Crysalis 3.6p
Country & New Towns Properties 0.7p
Croda Chemicals Intl. 8pcCumPf 2.8p
Crystalate 3.25p
Do. 8pcCumPf 2.8p
Dow Chemical 50cts
Dubilier 1.9p
Eastern Transvaal Cons 38.652111p
Elsburg Gold Mining 10.4cts
Fairline Boats 4p
Greycoat Group 1.2p
Grootvlei Prop. Mines 105cts
Hartebeestfontein 18.553013p
Havelock Europa 2p
Ingram (Harold) 1.25p
Inalico Cpn. 25cts
Intl Leisure 2.2p
Italy (Rep of) Fltg Rate Nts 2005 $65.1
Jacksons Bourne End 2p
Kalamazoo 8½pcUnsLn 1987 4¼pc
Korea Exchange Bank Fltg Rate Nts 1995 $351.39
Leisure Investments 0.355p
Leumi Intl Invests Gtd Fltg Rate Nts 1990 $34.82
Lexicon 1.1cts
London Investment Trust 0.54p
Lowe's 10cts
Marievale Cons Mines 35cts
Morland & Co. 4.75p
Mountleigh 9¾pcCnvUnsLn 2005 4⅞pc
NCR 23cts
Next 6pcCumPf 2.1p
Do. 7pc A CumPf 2.45p
Do. 10pc B CumPf 1.75p
Pelotas (Municipality of) 5pcStlgLn 2½pc
Plysu 0.65p
Radio Clyde Non-Vtg 2.25p
Randfontein Ests. Gld.Mg. 750cts
Rank Hovis McDougall 4.49p
Ratners (Jewelers) 1p
Reliable Properties 3.25p
Russell (Alexander) 0.54p
St. Helena Gold Mines 280cts
Sale Tilney 5pcRedCumNon-PtgPf 1.75p
Saul (B.F.) 5cts
Seiers Intl 0.9p
Speyhawk 7.48p
Stevens (J.P.) 30cts
Stilfontein 100cts
Storehouse 9pcCnvUnsLn 1992 4½pc
TMD Advertising 2p
Temple Bar 7pcCnvPf 2.45p
Tiphook 1.43p
Tor Invest. Tst. 5½pcDb 1985-90 2¾pc
Torchmark Cpn 25cts
Trans-Oceanic Trust 3.05p
Triplex 0.75p
Union Steel Cpn (South Africa) Pref B 8cts
Wells Fargo Fltg Rate Sub Nts 1992 $64.9
Wells Fargo Intl. Fin. Cpn. Gtd Fltg Rate Sub Nts 1996 $160.81
West Rand Cons. Mines 30cts
Western Areas Gd Mg. 16cts
Westpac Bkg. Cpn. A 14cts
Yellowhammer 0.6p

SATURDAY JANUARY 31

DIVIDEND & INTEREST PAYMENTS—
Airflow Streamlines 10pcPf 5p
Allebone & Sons 8¾pcPf 4.375p. 7pcLn 1984-99 3½pc
Alliance Property 9½pcDb 1992-97 4¾pc
Associated Fisheries 8¼pcLn 1981-86 4⅛pc
Beattie (James) 6pcPf 2.1p
Bezzer (C.H.) 8½pcLn 2000 4¼pc
Bentalls 5½pcPf 1.925p
Blyvooruitzicht Gold Mining 36.03146p
Bramall (C.D.) 13pcLn 1993-03 6½pc
Brettle (George) & Co. 9¼pcLn 1987-92 4⅝pc
Britannia Arrow 9pcLn 1995-2000 4½pc
British Dredging 8pcLn 1993-98 4pc
Brixton Estate 6pc1stDb 1983-88 3pc
Brown (Matthew) 11p
Business Mortgages Trust 1p
Caird (A.) Sons 5p
Campbell Soup 36cts
Combined English Stores 7¾pcPf 2.7125p
Davies Newman 3p
Dewhirst (I.J.) 9.75pcPf 4.875p
Drayton Japan Trust 4pcPf 1.4p
Durban Roodepoort Deep 31.33170p
Elswick 8pcPf 1992-94 4p
English Scottish Investors 4pcDb 1982-89 2pc. 5pcDb 1982-89 2½pc. 6½pcDb 1985-89 3¼pc
Essex Water 4.025pc (Fmly 5¾pc) Pf 1986-88 2.0125p. 2.45pc (Fmly 3½pc) Pf 1.225p. 3.5pc (Fmly 5pc) Pf 1.75p
First National Fin. Cpn 6.3pcPf 3.15p
First Scottish American Trust 11.5pcDb 2016 5¾p
Fleming Japanese Invest. Trust 5pcPf 1.75p. 4½pcDb 1985-90 2¼pc
Fobel Intl. 8pcLn 1988-93 4pc
Foseco Minsep 8¼pc2ndPf 4.125p. 10pc Ln 1990-95 5pc
Gartmore Information Fin. Trust 4¼pcPf 1.4875p. 5¼pcPf 1.8375p
Guildhall Property 6⅞pc1stDb 1990-95 3⁷⁄₁₆pc
Haslemere Estates 10½pc1stDb 2018 5¼pc.
Hartwells 0.88p
Hopkinsons 5.25pcPf 2.625p
House of Fraser 4½pcPf 1.575. 5½pcPf 1.925p. 7½pcPf 2.625p. 6pcLn 1993-1998 3pc. 8½pcLn 1993-98 4¼pc
Hudson's Bay 15cts
Iceland (Republic of) 14½pcLn 2016 7¼pc
Juliana's 7½pcLn 2000-02 3¾pc
Lewis (John) Properties 9¼pcDb 1992-97 4⅝pc
Liberty 6pcPf 2.1p. 9.5pcPf 4.75p
Linread 8pcLn 1987-92 4pc
M. & G. High Income Fund 5.6p
McKechnie Bros 6pcPf 2.1p
Macallan-Glenlivet 7pcPf 3.5p
Marley 6½pcPf 2.275p
Metal Closures 7½pcDb 1986-91 1.150685ps
Michael (John) Design 0.5p
Midsummer Leisure 4p
Murray Ventures 11.1pcDb 1991-96 5.55pc
Osborn (Samuel) Co 7½pcDb 1993-98 3¾pc.
Owen Owen 6¾pc1stDb 1982-87 3⅜pc. 7pc1stDm 1988-93 3½pc. 7¼pcLn 1988-1993 3⅝pc
PHH Group 21cts
Parker Knoll 9pcDb 1989-94 4½pc
Pentos 13½pcLn 1990 (Sers A) 6¾pc
Pressac Hldgs 10.5pcPf 5.25p
Reed Intl. 6pcDb 1983-88 3pc
S & U Stores 31.5pcPf 1.96875p
Scottish & Newcastle Breweries 7pcPf 2.052054pc
Scottish Eastern Invest Trust 12½pcDb 2012 6¼pc
Smith Nephew 5½pcPf 1.925p
Smiths Industries 7½pcDb 1983-88 3¾pc. 11¼pcDb 1995-2000 5⅝pc
Southern California Edison 57cts
TR Industrial Gen. Trust 5½pcDb 1982-87 2¾pc
TR Pacific Basin Invest Trust 6¼pcDb 1997-2002 3⅛pc
Tarmac 8¼pcLn 1990-95 4⅛pc
Tesco 4pcDeepDiscLn 2006 2.553pc
Tootal 7¼pcLn 1989-94 3⅝pc
Transamerica Cpn 44cts
Transport Development Group 12½pcLn 2008 6¼pc
Vaux Group 6½pcDb 1987-90 3¼pc. 7¼pc Db 1987-92 3⅝pc
WCRS Group 55pcPf 1999 2.8329p. New 55pcPf 1999 1.989p
Western Ground Rents 3¼pc1stDb (1956-1991) 1⅝pc
Wolseley 8p
Woolworth 14pcLn 1987-89 3.53pc

SUNDAY FEBRUARY 1

Allied London Properties 10pcPf 5p
American Telephone & Telegraph 30cts
American Trust 5pcPf 1.75p
Aquascutum 7½pcPtgPf 2.625p
BBA 5pcPf 1.75p
Consolidated 4pc 2pc
Dalgety 4.85pcPf 2.425p
Daniell & Sons Breweries 4½pc1stDb 2¼pc
Dover Harbour Board 4¼pc2ndDb 1978-1993 2⅛pc
Drayton Cons Tst. 4½pcDb 2¼pc
Dunlop Textiles 6½pcPf 2.275p
Electric & Gen. Invt. 7¼pcDb 1987-91 3⅝pc
Exchequer 10pc 1989 5pc
F. & C. Alliance Invest. 6pcDb 1985-90 3pc
Fleming Mercantile Invest. Trust 2.8pcPf 1.4p
Do. 3.5pcPf 1.75p
Foreign & Col. Invest Trust 5pcDb 1985-1990 2½pc
Do. 6¼pcDb 1987-92 3⅛pc
Goring Kerr 7.7p
Hertfordshire County Council 6¾pc1985-1987 3⅜pc
I.C.I. 5⅞pcLn 1994-2004 2.9298pc
Jenners, Princes Street, Edinburgh 10pc Pf 5p
Law Debenture Cpn. 3.85pcPf 1.925p
Lewis (John) 5pc1stPf 1.75p
Do. 7pcPf 2.45p
Lincoln National Cpn. 54cts
Manchester Cpn 1891 3pc 1941 1½pc
Metropolitan Water New River Co 3pc Db 1½pc
Newcastle & Gateshead Water 4pcDb 2pc
Do. 5pcDb 2½pc
Do. 8pcDb 1992-94 4pc
Do. 11½pcDb 2004 5¾pc
Do. 10pcDb 1992-94 5pc
Nicor 45cts
Quebec Central Railway 1stDb 2pc
Scottish Agric. Sec. 14pcDb 1993 7pc
Slough Estates 7½pc1stDb 1985-90 3¾pc
Southwestern Bell 160cts
U.S. Debenture Cpn 4.6pcPf 2.3p
Do. 4¼pcDb 1999 2⅛pc
Do. 5¼pc2ndDb 1999 2⅝pc
Ward White Pf 3p
Whitbread & Co. 4½pc2ndPf 1.575p
Whitbread Invest Co. 6½pcDb 1987-92 3¼pc
Witan Invest 6¼pcDb 1990-95 3⅛pc
Young & Co's Brewery 4.2pcPf 2.1p
Do. 9pcPf 4.5p

Company Notices

NOTICE OF PREPAYMENT

Kingdom of Spain
US$ 250,000,000
Floating Rate Notes due 1997

In accordance with paragraph "Redemption at the Option of the Kingdom" of the terms and conditions of the Notes, notice is hereby given that the Kingdom will prepay at par all of the above-mentioned Notes on the Interest Payment Date falling on February 27, 1987.

Payment of interest due on February 27, 1987 and reimbursement of principal will be made in accordance with the terms and conditions of the Notes.

Interest will cease to accrue on Notes as from February 27, 1987.

Luxembourg, January 26, 1987

The Fiscal Agent
KREDIETBANK
S.A. LUXEMBOURGEOISE

Bass Charrington Limited
BASS PLC

UA 30,000,000 7% Bonds 1991

Notice is hereby given that, in accordance with the terms and conditions of the above-mentioned loan, Bonds for the principal amount of UA 308,000 have been drawn, in the presence of a Notary Public, on January 12, 1987 for redemption at par on March 1, 1987.
Principal amount of Bonds purchased by the Company: UA 742,000
The following Bonds have been drawn and may be presented to Kredietbank S.A. Luxembourgeoise or to other paying agents named on the Bonds:

[illegible]

Bonds surrendered for redemption should have attached the coupon due on March 1, 1988. Coupon due on March 1, 1987 should be detached and collected in the usual manner.
Amount outstanding: UA 16,050,000

Luxembourg, January 26, 1987

The Principal Paying Agent
KREDIETBANK
S.A. LUXEMBOURGEOISE

NOTICE OF REDEMPTION

EUROPEAN ECONOMIC COMMUNITY

US$25,000,000
13⅛% Notes due February 10, 1991

NOTICE IS HEREBY GIVEN to the holders of the Notes, that in accordance with Clause 6(b) of the Notes, the following Bonds of EEC in the aggregate principal amount of US$6,000,000 have been drawn for Redemption on February 10, 1987 (the "Redemption Date") at a Redemption Price of 100% of the Principal Amount thereof.

SERIAL NUMBERS OF BONDS CALLED FOR REDEMPTION

[illegible]

NOTICE IS ALSO HEREBY GIVEN that in accordance with Clause 6(c) of the Bonds the EEC has elected its right of Optional Redemption and shall redeem on the Redemption Date all of its outstanding bonds, other than those called for redemption above, at a Redemption Price of 102% of the Principal Amount plus interest accrued to the Redemption Date.

Payments of Principal and accrued interest will be made on or after the Redemption Date at the offices of the Paying Agents set forth in the prospectus and the conditions of the Notes.

Contracts & Tenders

REPUBLIC OF THE SUDAN
CIVIL AVIATION AUTHORITY
NOTICE
PREQUALIFICATION OF CONSULTANTS

1. Interested firms are invited to submit statements of interest and information on post experience and qualifications to provide professional engineering services for design review and construction supervision of a new airport proposed to be constructed at Port Sudan. The main components of the project would be aircraft manoeuvring area, terminal buildings and associated services; aeronautical telecommunications and navigational aids. The project is to be financed by the Government of the Sudan through loans extended by the Saudi Fund for Development and the Islamic Development Bank. The interested firms should submit to the Director General, Civil Aviation Authority, P.O. Box 430, Khartoum, Telex 22650 DGCA SD, statement of show of interest along with information on their general capabilities and past experience in engineering design and supervision with special reference to their experienc in the fields of airports, highways, urban planning, etc. A copy of all documentation should also be forwarded to the Saudi Fund for Development, P.O. Box 1887, Riyadh 11441, Saudi Arabia, Telex 401145 SUNDOQ SJ.
2. Based upon evaluation of the experience and qualifications of firms submitting statements indicating interest, a short list of consultants would be prepared for the purpose of inviting consultancy proposals.
3. The statements of interest and supporting documents should reach the Director General, Civil Aviation Authority, Khartoum, not later than 28th February, 1987.

WORLD STOCK MARKETS

AUSTRIA

1986/87 High	Low	Jan. 23	Price Sch
2,850	2,100	Credit'nst'lt pp	2,100
5,850	3,075	Goesser	3,080
16,000	12,700	Interunfall	13,100
21,750	9,740	Jungbunzlauer	9,900
2,475	1,950	Laenderbank	2,075
795	560	Perlmooser	645
211	147	Steyr Daimler	147
12,500	8,850	Veitscher Mag	10,965

BELGIUM/LUXEMBOURG

1986/87 High	Low	Jan. 23	Price Frs.
3,500	2,290	B.B.L.	3,150
16,550	9,600	Banq. Gen. Lux.	16,000
17,000	9,400	Banq Int.A.Lux.	15,150
14,500	8,250	Bekaert	9,900
4,660	2,640	Ciment CBR	4,140
195	120	Cockerill	135
3,240	1,562	Delhaize	2,750
5,110	3,980	EBES	4,810
2,700	1,500	Fabrique Nat.	1,800
965	356	GB Inno BM	930xc
4,525	2,595	GBL (Brux)	3,785
6,800	4,310	Generale Bank	6,190
5,850	4,750	Gevaert	6,050
8,150	5,700	Hoboken	7,920
3,995	2,880	Intercom	3,975
4,450	2,450	Kredietbank	4,110
11,650	9,900	Pan Holding	10,700
9,980	6,050	Petrofina	9,400
29,488	17,200	Royale Belge	29,392
3,500	2,120	Soc. Gen. Belge	3,335
13,400	7,710	Sofina	12,125
9,000	6,050	Solvay	8,730
585	185	Stanwick Intl.	230
6,770	4,675	Tractebel	5,410
10,000	5,300	UCB	10,000
6,200	3,705	Wagons Lits	5,420

DENMARK

1986/87 High	Low	Jan. 23	Price Knr. %
900	510	Baltica Skand.	900
348	235	Cop Handelsb'nk	285
470	318	D. Sukkerfab.	392
381	259	Danske Bank	357
298	160	East Asiatic	217
1,240	870	Forenede Brygg.	950
665	289	GNT Hld.	357
835	505	I.S.S.B.	835
845	450	Jyske Bank	550
281	216	Novo Inds'	251
339	229	Privatbanken	280
1,050	685	Sophus Berend	860
331	119	Superfos	158

FINLAND

1986/7 High	Low	Jan. 23	Price Mks
229	100	Amer	189
55	43.75	KOP	47.1
275	181	Kone	198
171	87.2	Finnish Sugar	99.8
159	63.6	Nokia	149
233	57.5	Pohjola "B"	76
25.5	14	Rauma-Repola	20
265	94	Stockmann "B"	144
39	25.4	UBF "C"	30.4
240	120	Wartsila (311)	159

SWEDEN

1986/7 High	Low	Jan. 23	Price Kroner
230	158	AGA	160
378	245	Alfa-Laval B	274
385	205	ASEA (Free)	302
580	370	Astra (Free)	530
252	150	Atlas Copco	150
230	136	Be ljer 'A (Free)	136
310	153	Cardo (Free)	160
295	159	Cellulosa	255
344	194	Electrolux B	288
299	197	Ericsson B	197
165	113	Esselte	127
320	176	Mo och Domsjo	235
252	167	Pharmacia	206
690	495	Saab Scania Free	680
956	135	Sandvik	146
615	114	Skandia	116
141	108	Skan Enskilda	111
389	266	SKF	328
343	157	Stora Kopparbrg	276
475	140	Sven Handlesbnk	396
475	220	Swedish Match	425
433	296	Volvo B (Free)	291

GERMANY

1986/7 High	Low	Jan. 23	Price Dm
360	265	AEG.	317.5
2,875	1,190	Allianz Vers.	1,985
331.8	239	BASF	257.3
350	262.5	Bayer	289.4
688	515	Bayer-Hypo	517
675	459	Bayer-Verein	469
595	465	BHF-Bank	505
545	473	BMW	514
348	232.5	Brown Boveri	285
377.5	268	Commerzbank	300.5
353.2	203	Cont'l Gummi	322
1,549.5	1,106	Daimler-Benz	1,102
534	357	Degussa	469
240	166	D'sche Babcock	266
920	723.7	Deutsche Bank	779.5
506	353.3	Dresdner Bank	385.5
343	267	Feld-Muehle	288.9
504	380	Henkel	480
1,300	710	Hochtief	1,045
327	240	Hoechst	252
201	106	Hoesch Werke	113.9
550	470	Holzmann (P)	550
252.5	168	Horten	232
650	426	Hussel	628
520	318	Karstadt	475
564	350	Kaufhof	524
393	153	KHD	159
125	59	Kloeckner	61
830	579	Linde	666
311.8	155	Lufthansa	177
247	159	MAN	165
311.8	160.1	Mannesmann	169.1
1,374	910.5	Mercedes Hld.	916
430	266	Metallgesell	293.5
4,350	2,190	Muench Rueck	2,290
747	548	Nixdorf	741
1,420	941	Porsche	985
297	167	Preussag	189
275	186.5	Rhein West Elect	231
435	316	Rosenthal	326
691	514	Schering	645
826.5	590.8	Siemens	715
198	113	Thyssen	120.5
417	259	Varta	400
346	235.5	Veba	277
202	139.5	V.E.W	157.5
550	392	Vebein-West	475
684	384	Volkswagen	388

FRANCE

1986/7 High	Low	Jan. 23	Price Frs.
1,811	1,473	Emprunt 4½% 1973	1,655
9,550	7,190	Emprunt 7% 1973	8,100
593	295	Accor	554
845	608	Air Liquide	720
776	508	BIC	770
2,700	1,510	Bongrain	2,480
1,467	909	Bouygues	1,275
4,750	2,730	BSN Gervais	4,730
2,655	1,566	CIT Alcatel	2,345
3,830	2,212	Carrefour	3,830
746	468	Club Mediter'n	724
1,386	872	Cie Bancaire	1,155
468	347.5	Cofimeg	404
2,595	1,721	Damart	2,495
500	215	Darty	492
2,180	1,050	Dumez S.A.	2,190
1,565	577	Eaux (Cie Gen)	1,390
375	196	Elf-Aquitaine	340
3,900	2,000	Essilor	3,750
1,328	714	Gen.Occidentale	1,285
115.5	61.1	Imetal	103.6
1,513	745	Lafarge Coppee	1,468
4,030	2,805	L'Oreal	3,980
5,490	2,640	Legrand	5,490
350	158	Maisons Phenix	196.5
2,775	1,480	Matra S.A.	2,420
3,565	1,725	Michelin B	3,170
6,890	1,455	Midi (Cie)	1,734
2,680	1,735	Moet Hennessy	2,219
115	54.7	Moulinex	105
241	155.1	Nord Est	201.9
1,265	607	Pernod Ricard	1 055
845	491	Perrier	793
479.2	296	Petroles Fra.	449
1,328	512	Peugeot S.A.	1,328
738	417	Printemps (Au.)	576
1,200	421	Radiotech	1,220
3,100	1,206	Redoute	3,002
1,799	1,105	Roussel-Uclaf	1,601
587	396	Sefimeg	472
1,490	1,100	Skis Rossignol	1,470
3,855	2,640	Telemec Elect	3,505
1,764	822	Thomson (CSF)	1,630
645	348	Valeo	528

SPAIN

1986/7 High	Low	Jan. 23	Price Pta %
1,520	415	Bco Bilbao	1,520
1,095	347	Bco Central	1,095
470	207	Bco Exterior	446
630	207	Bco Hispano	595
1,860	439	Bco Popular	1,715
1,115	420	Bco Santander	1,115
1,940	595	Bco Vizcaya	1,864
910	413	Banesto	930
519	155	Dragados	519
142	82.5	Hidrola	104.2
201	101.5	Iberduero	161
565	172	Petroleos	565
228.5	126.5	Telephonica	179.5

NORWAY

1986/7 High	Low	Jan. 23	Price Kroner
204	142	Bergens Bank	184
285	245.5	Bergesen B	255
229	151.5	Christians Bank	194
191	148	Den Norske Cred	173.5
121	85	Elkem	85.5
197.5	131	Kosmos	134
195	120	Kvaerner	180
156.2	88	Norcem	117
245	175	Norsk Data	230.5
169.5	122	Norsk Hydro	141.5
477.5	324	Orkla-Borregaad	371
319	255	Storebrand	300

NETHERLANDS

1986/7 High	Low	Jan. 23	Price Fls
68	44.6	ACF Holding	60.3
123.2	84	AEGON	85
118	69.5	Ahold	107
181.9	137	AKZO	137
638	504	ABN	522.5
93.8	70.2	AMEV	71.6
117	87	AMRO	88.4
260	62.8	Bredero Cert	75.5
61.2	33.7	Buehrmann-Tet.	53.3
203.5	156.8	Dordtsche Pet'm	202.5
261	154	Elsevier-NDU	249.5
98.5	53.7	Fokker	57.5
60.8	40	Gist Brocades	41.3
189.5	150.0	Heineken	159.7
118	29.8	Hoogovens	33.5
75	53	Hunter Doug N/V	55
33	17.4	IHC Caland	19.6
86.3	59.5	Int Mueller	67.5
55.8	35.1	KLM	37.6
171.5	118.7	KNP	144.5
89.6	71.5	Nat Ned Cert	76.5
255.5	185.5	Ned Mid Bank	192.5
219.9	159.0	Nedlloyd	172.7
553.5	410	Oce Grinten	422
39.5	30.4	Ommeren (Van)	35.9
92.5	50.0	Pakhoed	69.1
65.7	43.3	Philips	45.4
97.1	82.9	Robeco	97.1
142.1	132.8	Rodamco	139.3
87.8	72.2	Rolinco	84.8
51.1	46.6	Rorento	50.8
216.5	164.8	Royal Dutch	216.5
585	347.7	Unilever	516.3
32.3	25	VMF Stork	24.7
366.3	270.5	VNU	342
84.8	59.7	Wessanen	77.3

SWITZERLAND

1986/7 High	Low	Jan. 23	Price Frs.
9,200	4,460	Adia Intl.	8,900
765	480	Alusuisse	505
4,850	3,200	Bank Leu	3,875
2,285	1,540	Brown Boveri	1,800
4,550	2,775	Ciba Geigy	3,215
3,452	2,050	do. (Part Certs)	2,300
3,910	3,100	Credit Suisse	3,790
3,890	2,925	Elektrowatt	3,700
1,950	1,125	Fischer (Geo.)	1,830
141,000	94,500	Hoff-Roche PtCts	121,125
14,000	9,400	Hoff-Roche 1/10	12,125
9,125	7,100	Jacobs Suchard	8,550
4,400	3,100	Jelmoli	3,950
2,355	1,750	Landis & Gyr	1,800
9,950	7,375	Nestle	9,525
2,040	1,255	Oer-Buehrle	1,255
495	378	Pirelli	467
13,000	9,900	Sandoz (Br)	10,500
2,030	1,480	Sandoz (PtCts)	1,740
900	520	Schindler (PtCts)	710
1,980	1,300	Sika	1,725
9,000	5,900	Surveillance A	8,750
2,220	1,140	Swissair	1,200
626.5	490	Swiss Bank	548
19,700	13,200	Swiss Reince	18,600
2,788	2,340	Swiss Volksbk	2,570
6,120	4,850	Union Bank	5,900
7,600	4,620	Winterthur	7,200
8,850	5,750	Zurich Ins	8,440

AUSTRALIA

1986/7 High	Low	Jan. 23	Price Aust. $
4.2	2.55	ACI Intl	4.06
16.6	10.3	Adelaide Steams	13.85
4.41	2.88	Amcor	4.4
6.3	4.4	ANZ Group	5.76
3.22	2.05	Ampol Pet.	2.75
3.75	2.0	Ariadne	3.35
2.90	1.15	Ashton	2.8
3.55	2.1	Aust. Guarantee	3.55
3.70	2.45	Aust. Nat. Inds.	2.9
11.1	5.9	Bell Group	10.25
5.79	3.70	Bell Res.	4.8
3.75	1.05	Bond Corp Hldgs	2.7
4.7	2.5	Boral	4.55
3.53	1.9	Bougainville	3.46
8.2	4.3	Brambles Inds	7.8
1.89	0.59	Bridge Oil	0.98
9.38	6.2	BHP	9.38
9.65	5.3	Burns Philip	9.3
8.30	5.48	CRA	7.4
6.6	2.60	CSR	6.6
6.6	2.7	Chase Corp.	4.9
1.24	0.53	Claremont Pet.	0.93
6.4	4.1	Coles.Myer	6.14
2.62	1.80	Comalco "A"	2.55
0.35	0.10	Consolidated Pet	0.34
3.15	1.7	Costain Aust.	3.08
5.12	2.0	Elders IXL	4.85
1.9	1.41	Energ Res.	1.8
2.85	2.16	Gen. Prop. Trust	2.75
4.62	3.0	Hardie (James)	4.62
3.46	1.55	Hartogen Energy	3.25
15.35	4.85	Herald W'yTimes	15
3.5	2.12	ICI Aust.	3.4
9.0	4.8	Industrial Equity	5.5
0.46	0.18	Jimberlana F.P.	0.45
1.0	0.50	Kia Ora Gold	1.0
8.4	4.9	Kidston Gold	8.0
10.9	5.74	Lend Lease	10.4
3.12	1.63	MIM	2.35
4.1	2.58	Mayne Nickless	4.05
6.6	4.0	Nat. Aust. Bank	5.84
19.3	4.61	News	17.5
3.85	2.4	Nicholas Kiwi	3.80
2.1	0.65	Noranda Pacific	2.1
2.65	1.70	North Bkn Hill	2.6
1.28	0.55	Oakbridge	0.55
4.25	2.27	Pacific Dunlop	3.90
3.4	1.7	Pancontinental	3.35
3.17	2.46	Pioneer Conc.	3.12
3.16	2.00	Placer Pacific	2.55
6.5	2.02	Poseidon	6.5
1.97	1.34	Queensland	1.64
6.4	3.62	Reckitt&Colman	5.25
5.56	3.28	Santos	4.50
6.2	3.95	Smith (Howard)	5.1
4.20	2.18	TNT	3.95
6.7	5.2	Tooth	6.10
3.25	1.85	Vamgas	3.10
6.39	2.82	Western Mining	6.32
6.28	4.4	Westpac Bank	4.9
1.88	0.75	Woodside Petrol	1.65
4.10	2.65	Woolworths	3.45
4.75	3.35	Wormald Intl.	4.10

SINGAPORE

1986/7 High	Low	Jan. 23	Price $
1.54	0.65	Boustead Hldgs.	1.43
4.09	2.17	Cold Storage	3.66
10.0	4.4	DBS	9.85
7.6	3.3	Genting	6.75
3.38	1.64	Haw Par. Bros.	3.34
3.26	1.74	Hong Leong Fin.	2.79
3.12	1.02	Inchcape Bhd.	3.00
3.04	0.4	Keppel Corp.	2.83
6.0	3.04	Malay Banking	5.9
1.59	0.98	Malay Utd Ind.	1.29
0.6	0.30	Multi Purpose	0.43
9.8	5.85	OCBC	9.7
3.88	2.12	OUB	3.24
1.78	0.80	Public Bank	1.30
2.45	0.82	Sime Darby	2.35
9.9	5.65	Singapore Air	9.65
8.85	5.5	Singapore Press	8.05
3.9	1.86	Straits Trdg.	3.82
3.28	1.91	Tat Lee Bk.	2.86
4.86	2.22	UOB	4.24

SOUTH AFRICA

1986/7 High	Low	Jan. 23	Price Rand
3.3	1.8	Abercom	2.95
16.5	8.90	AE&CI	16.3
100	53	Allied Tech	93.0
60.50	28.75	Anglo Am Coal	39.5
75	37	Anglo Am. Corp.	73.75
380	206	Anglo Am. Gold	350
24.75	18.25	Barclays Bank	19.25
21.9	18.35	Barlow Rand	19.05
113	62	Buffels	78
3.1	1.85	CNA Gallo	3.0
5.35	3.8	Currie Finance	5.10
40.35	16.7	De Beers	40.25
79.50	48.25	Driefontein	75.00
52.50	29.25	F.S.Cons	52.5
66.9	32	Gold Fields S.A.	63.75
16.5	4.75	Highveld Steel	5.00
18	6.2	Malcor	17.5
9.5	5.40	Nedbank	6.5
20	11.4	OK Bazaars	14.1
85.0	45	Rembrandt	85
56.75	26	Rust Plat	53.0
19.5	13	Safren	19.25
11.5	9.0	Sage Hldgs	10.50
16.5	8.2	SA Brews	15.2
32.5	24	Smith (CG)	31.5
9.40	7.0	Tongaat Hulett	9.4

HONG KONG

1986/7 High	Low	Jan. 23	Price H.K.$
24.1	17.4	Bank East Asia	23.5
6.00	5.15	Cathay Pacific	5.6
40.5	17.9	Cheung Kong	37.5
21.8	14.8	China Light	19.1
0.91	0.53	Evergo	0.9
44.25	32.25	Hang Seng Bank	41.5
4.75	1.65	Henderson Land	4.35
23.3	20.4	HK China Gas	22.2
13	8.3	HK Electric	12.1
7.8	5.2	HK Land	7.35
9.7	6.25	HK Shanghai Bk.	9.35
15.3	9.5	HK Telephone	13.6
46.75	24	Hutchison Wpa.	45.5
44.50	25.08	Ind. Equity Pac.	26.2
23.6	11	Jardine Math	21.7
10.1	5.05	New World Dev.	9.3
21.9	10.6	SHK Props	18.3
1.13	0.62	Shell Elect	0.81
20.3	9.9	Swire Pac A	19.2
13.3	5	TV—B	13.2
9.55	5.2	Wharf Hldgs	8.85
9.8	5.15	Winsor Inds.	8.85
3.85	2.07	World Int. Hldgs.	3.6

JAPAN

1986/7 High	Low	Jan. 24	Price Yen
2,020	1,130	Ajinomoto	1,930
1,260	745	All Nippon Air	1,140
2,170	1,640	Alps Electric	1,900
919	725	Asahi Chem	791
1,490	890	Asahi Glass	1,380
1,330	691	Bank Tokyo	1,230
791	602	Bridgestone	700
850	527	Brother Inds.	568
1,200	950	Canon	959
1,640	1,180	Casio Comp.	1,330
1,670	981	Chugai Pharm	1,630
1,760	715	Daiei	1,220
2,650	1,460	Dai-Ichi Kan. Bk.	2,500
685	300	Dai Nippon Ink	655
2,000	1,180	Dai Nippon Ptg	1,880
1,890	841	Daiwa House	1,840
2,400	734	Daiwa Sec.	1,970
2,280	1,230	Eisai	2,240
7,750	5,040	Fanuc	5,740
2,680	1,460	Fuji Bank	2,450
3,890	1,650	Fuji Film	3,530
2,070	888	Fujisawa	1,630
1,240	825	Fujitsu	1,000
610	324	F'jrukawa Elect.	500
2,550	1,200	Green Cross	2,250
1,320	794	Heiwa Real Est	1,110
1,190	760	Hitachi	1,010
2,350	1,150	Hitachi Credit	1,710
1,450	989	Honda	1,330
3,340	1,000	Indl. Bk. Japan	3,150
630	150	Ishikawajima Hr.	433
410	310	Isuzu Motor	312
942	415	Itoh (C)	798
4,880	2,950	Ito. Yokado	3,750
13,700	8,600	JAL	12,400
1,600	963	Jusco	1,350
1,550	463	Kajima	1,510
1,800	986	Kao Corp.	1,700
279	134	Kawasaki Steel	205
1,750	737	Kirin	1,630
237	152	Kobe Steel	172
561	460	Komatsu	463
808	585	Konishiroku	630
480	339	Kubota	400
1,290	750	Kumagai	1,210
4,960	3,310	Kyocera	3,730
590	311	Marubeni	451
2,950	1,540	Marui	2,870
545	360	Mazda Motor	360
914	535	Meiji Seika	845
2,220	1,160	MEI	1,910
2,500	1,430	M'bishi Bank	2,430
909	506	M'bishi Chem	779
1,490	589	M'bishi Corp	1,080
500	328	M'bishi Elect	419
2,800	1,079	M'bishi Estate	2,550
484	353	MHI	470
1,640	951	Mitsui Bank	1,470
808	405	Mitsui	585
2,180	999	Mitsui Estate	1,970
449	209	Mitsui Toatsu	422
1,400	590	Mitsukoshi	1,180
1,120	799	NGK Insulators	855
2,180	675	Nikko Sec.	1,680
1,800	1,200	Nippon Denso	1,540
2,440	1,160	Nippon Elect	1,890
1,420	650	Nippon Express	1,230
2,220	1,350	Nippon Gakki	1,540
1,200	785	Nippon Kogaku	810
336	128	Nippon Kokan	254
1,450	791	Nippon Oil	1,310
514	440	Nippon Seiko	489
1,300	758	Nippon Shimpan	1,230
271	154	Nippon Steel	217
593	338	Nippon Suisan	478
608	393	Nippon Yusen	472
690	525	Nissan Motor	564
957	634	Nisshin Flour	765
3,570	1,010	Nomura	3,200
1,330	970	Olympus	1,010
629	311	Onoda Cement	570
1,410	910	Orient Finance	1,890
4,760	2,560	Orient Leasing	4,150
2,750	1,650	Pioneer	2,280
1,130	755	Ricoh	980
1,760	1,070	Sankyo	1,650
2,340	1,220	Sanwa Bank	2,100
460	380	Sanyo Elect	385
1,440	632	Sapporo	1,270
1,760	800	Sekisui House	1,720
10,350	6,050	Seven-Eleven	8,350
1,180	811	Sharp	1,020
850	350	Shimizu Constn.	755
1,740	760	Shionogi	1,650
2,270	1,310	Shiseido	1,960
425	207	Showa Denko	388
4,160	2,810	Sony	3,220
3,090	1,570	S'tomo Bank	2,930
519	235	S'tomo Chem.	473
1,220	725	S'tomo Corp.	1,010
1,930	840	S'tomo Elect	1,650
205	137	S'tomo Metal	180
1,030	308	Taisei Corp.	937
1,210	495	Taisho Marine	1,110
970	665	Taiyo Kobe Bank	850
2,650	987	Takeda	2,500
4,480	3,050	TDK	3,510
800	457	Teijin	680
2,080	1,110	Toa Nenryo	1,690
1,610	780	Tokai Bank	1,400
2,070	820	Tokio Marine	2,000
8,470	2,590	Tokyo Elect Pwr	8,030
1,240	277	Tokyo Gas	1,170
1,500	565	Tokyu Corp	1,380
1,790	974	Toppan Print	1,700
585	485	Toray	585
843	357	Tosh ba Elect	609
2,740	1,490	Toyo Seikan	2,110
2,300	1,130	Toyota Motor	1,850
340	200	UBE Inds	280
3,280	1,490	Victor	2,550
775	503	Yamaha	619
2,060	680	Yamaichi Sec	1,680
4,200	2,890	Y'manouchiPhm	3,940
1,680	777	Yamazaki	1,650
1,130	496	Yasuda Fire	1,060

ITALY

1986/7 High	Low	Jan. 23	Price Lire
34,995	19,980	Banco Com'le	25,810
868	575	Bastogi-IRBS	710
4,780	3,050	Centrale	3,595
16,400	5,160	C.I.R.	6,750
4,590	2,990	Credito Italiano	3,325
16,500	6,531	Fiat	14,000
172,030	75,150	Generali Assicur.	136,900
81,505	48,200	Italcementi	78,800
1,430	920	La Rinascente	997
4,533	2,705	Montedison	2,985
18,890	8,710	Olivetti	12,801
8,970	6,085	Pirelli Co.	7,245
6,510	3,370	Pirelli Spa	5,061
5,885	4,499	Saipem	4,627
7,650	4,565	Snia BPD	4,831
64,500	24,250	Toro Assic	31,500

NOTES—Prices on this page are as quoted on the individual exchanges and are last traded prices. # Dealings suspended. xd Ex dividend. xc Ex scrip issue. xr Ex rights. xa Ex all. * Price in Schillings.

CANADA

TORONTO

Closing prices January 23

Sales	Stock	High	Low	Close	Chng
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

MONTREAL

Closing prices January 23

Sales	Stock	High	Low	Close	Chng
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

OVER-THE-COUNTER

Nasdaq national market, Closing prices, January 23

Continued from Page 31

Stock	Sales (Hnds)	High	Low	Last	Chng
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Indices

NEW YORK

DOW JONES	Jan. 23	Jan. 22	Jan. 21	Jan. 20	Jan. 19	1986/87 High	1986/87 Low	Since Comp High	Since Comp Low
●Industrials	2101.52	2145.67	2094.07	2104.47	2102.50	2145.67 22/1/87	1502.29 22/1/86	2145.67 22/1/87	41.22 2/7/32
H'me Bnds.	95.39	95.40	95.40	95.24	95.17	95.40 21/1/87	83.75 14/1/86		—
Transport	869.19	876.09	867.01	877.79	882.51	882.51 19/1/87	686.97 (9/1/86)	882.51 19/1/87	12.32 8/7/32
Utilities	226.56	227.83	224.32	224.26	223.34	227.83 22/1/87	169.47 22/1/86	227.83 22/1/87	10.5 8/4/32

●Day's High 2214.87 (2151.88) Low 2069.86 (2083.66)

STANDARD AND POOR'S	Jan. 23	Jan. 22	Jan. 21	Jan. 20	Jan. 19	1986/87 High	1986/87 Low	Since Comp High	Since Comp Low
Composite ‡	270.10	273.91	267.84	269.04	269.34	273.91 22/1/87	203.49 22/1/86	273.91 22/1/87	4.40 1/6/32
Industrials	302.79	307.60	300.20	301.64	302.19	307.60 22/1/87	224.48 22/1/86	307.60 22/1/87	3.62 21/6/32
Financials	29.60	29.99	29.51	29.57	29.64	31.13 (14/3)	25.19 22/1/86	31.13 14/3/86	8.64 1/10/74
N.Y.S.E. COMPOSITE	154.02	155.97	152.90	153.62	153.71	155.97 22/1/87	117.75 22/1/86	155.97 22/1/87	4.46 25/4/42
AMEX. MKT VALUE	295.45	296.49	291.46	294.48	293.97	296.49 22/1/87	240.30 (4/2)	296.49 22/1/87	29.13 9/12/74
NASDAQ OTCCOMP.	392.19	395.17	389.55	392.05	392.59	411.16 (3/7)	325.81 (9/1/86)	411.16 3/7/86	54.87 3/10/74

DIVIDEND YIELDS	Jan. 16	Jan. 9	Jan. 2	Dec. 26	year ago (approx)
Dow Industrial	3.23	3.34	3.48	3.59	4.15
	Jan. 14	Jan. 7	Dec. 31	Dec. 24	
S and P Industrial	2.81	2.89	3.05	3.00	3.45
S and P Ind P/E ratio	18.93	18.35	17.59	17.71	14.66

TRADING ACTIVITY

Volume † (Millions)	Jan. 23	Jan. 22	Jan. 21
New York	302.89	188.66	184.28
Amex	19.51	15.29	15.90
O.T.C.	—	162.59	156.50

New York	Jan. 20	Jan. 22	Jan. 21
Issues Traded	1,993	1,990	2,021
Rises	561	1,196	575
Falls	1,063	434	1,091
Unchanged	369	360	355
New Highs	—	141	111
New Lows	—	8	7

CANADA

TORONTO	Jan. 23	Jan. 22	Jan. 21	Jan. 20	Jan. 19	1986/87 High	1986/87 Low
Metals & Minerals	—	2212.6	2143.0	2155.5	2189.5	2442.8 (21/8)	1917.4 (8/8)
Composite	3306.0	3299.1	3246.4	3251.3	3274.7	3305.0(23/1/87)	2754.8 (17/2)
MONTREAL Portfolio	1683.9	1675.7	1646.1	1644.4	1649.8	1675.7(22/1/87)	1888.5 22/1/86

NEW YORK ACTIVE STOCKS

Friday	Stocks traded	Closing price	Change on day
Hewlett-Packard	4,829,800	48⅝	−3⅛
IBM	3,973,100	128⅞	1⅛
ATT	3,863,500	26½	−⅛
Gen Motors	3,141,000	70⅞	−2⅛
Gen Elec	3,128,200	98⅞	−3⅞
Salomon Inc	2,911,500	37⅞	−2
Coca Cola	2,876,100	41⅞	−⅛
Union Carbide	2,758,500	24⅞	−⅞
Ford Motor	2,704,200	74⅞	−2½
Am Express	2,506,500	69½	−⅛

	Jan. 23	Jan. 22	Jan. 21	Jan. 20	1986/87 High	1986/87 Low
AUSTRALIA All Ord. (1/1/80)	1539.5	1534.7	1528.2	1534.0	1555.6(15/1/87)	1010.8 (2/1/86)
Metals & Mnls. (1/1/80)	—	778.8	772.6	788.8	788.0 (20/1/87)	481.1 (20/1/86)
AUSTRIA Creditbk Aktien(30/12/64)	214.27	214.66	218.58	217.89	288.54 (25/4)	214.27 (23/1/87)
BELGIUM Brussels SE (1/1/84)	4035.35	4021.55	4027.38	4020.49	4131.69 (8/12)	3786.31(15/1/86)
DENMARK Copenhagen SE(3/1/83)	215.35	217.57	218.32	213.29	250.70 (18/4)	188.28 (11/11)
FINLAND Unitas Genl. (1975)	451.5	452.8	452.2	451.3	482.1 (15/1/87)	258.5 (2/1/86)
FRANCE CAC General (31/12/82)	425.3	416.6	415.8	413.5	425.3 23/1/87	267.9 (2/1/86)
Ind Tendance (31/12/86)	108.3	106.4	105.1	103.9	108.5 (23/1/87)	97.8 (2/1/87)
GERMANY FAZ Aktien (31/12/58)	632.84	625.27	620.87	627.27	755.88 (17/4)	585.92 (22/7)
Commerzbank (1/12/53)	1819.5	1905.4	1882.2	1897.5	2278.8 (17/4)	1782.4 (22/7)
HONG KONG Hang Seng Bank(31/7/64)	2499.46	2536.94	2553.39	2449.88	2614.87 12/1/87	1559.94 (19/3)
ITALY Banca Comm. Ital.(1972)	721.54	719.31	722.71	722.08	909.20 (28/5)	454.97(24/1/86)
JAPAN** Nikkei (16/5/49)	19458.51	19388.5	19429.2	19218.1	19458.8 (23/1/87)	12881.0(21/1/86)
Tokyo SE New (4/1/68)	1676.26	1675.82	1675.63	1650.88	1675.82(22/1/87)	1025.85(21/1/86)
NETHERLANDS ANP.CBS General (1970)	268.4	267.9	268.3	270.9	301.8 (5.5)	240.4 (3/5)
ANP.CBS Indust (1970)	256.5	258.2	260.4	262.7	305.8 (19/5)	254.0 (3/3)
NORWAY Oslo SE (4/1/83)	367.55	366.26	368.44	367.58	402.91(16/1/86)	331.61 (4.8)
SINGAPORE Straits Times (30/12/66)	369.75	945.13	949.21	940.11	957.97 14/1/87	555.54 (29/4)
SOUTH AFRICA JSE Gold (28/9/78)	—	—	—	—	2121.0 (15/1/87)	1104.1 (21/4)
JSE Indust (28/9/78)	—	—	—		1485.0 (15/1/87)	1019.5 (2/4)
SPAIN Madrid SE (30/12/85)	242.91	241.74	241.06	238.47	242.91 (23/1/87)	100.95 (3/1/86)
SWEDEN Jacobson & P (31/12/56)	2217.99	2215.35	2277.33	2293.90	2672.78 (7/11)	1729.57(29/1/86)
SWITZERLAND Swiss BankCpn(31/12/58)	583.5	579.5	583.8	581.1	625.5 (8/1/86)	497.2 (4/8)
WORLD MS. Capital Intl. (1/1/70)	—	396.9	389.8	390.8	396.9 (23/1/87)	248.8(23/1/86)

** Saturday January 17: Japan Nikkei (c). TSE (c).

Base value of all indices are 100 except Brussels SE—1,000. JSE Gold—258.7, JSE Industrial—264.3, and Australia. All Ordinary and Metals—500. NYSE All Common—50; Standard and Poors 10; and Toronto Composite and Metals—1,000. Toronto Indices based 1975 and Montreal Portfolio 4/1/83. † Excluding bonds. ‡ 400 Industrials plus 40 Utilities, 40 Financial and 20 Transports. c Closed. u Unavailable.

Closing prices, January 23

NEW YORK STOCK EXCHANGE COMPOSITE CLOSING PRICES

12 Month High	12 Month Low	Stock	Div.	Yld.	P/ E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
28	17	AAR s	.50	1.8	20	1248	u28 3/4	27 3/4	28 1/8	+1/8
30 1/2	21 3/4	ADT	.92	3.3		487	28 7/8	28 1/8	28 1/8	-1/2
38 5/8	17 1/2	AFG s	.12	.3	11	989	36 1/2	35 3/4	36 1/8	
34 7/8	16 3/4	AGS			21	551	34 1/2	32 3/4	32 3/4	-1/2
15	6 3/4	AMCA				24	6 7/8	6 3/4	6 7/8	-1/8
62 1/8	43	AMR			13	13888	61 1/4	58 1/4	59 3/4	+1/2
27 1/2	24	ANR pf 2.67		10.		6	26	26	26	
24 1/4	20 1/8	ANR pf 2.12		8.8		1	24	24	24	-1/4
16 1/2	10	ARX	.71t	6.0	11	174	12	11 3/4	11 3/4	-1/2
42 1/8	28 3/4	ASA	2a	5.0		1089	40 5/8	39 1/2	39 5/8	-3/4
18 3/8	9 3/4	AVX			21	828	15 3/8	14 5/8	15	+3/8
32	26	AZP	2.72	8.8	9	3010	31 1/8	30 7/8	31	-1/8
55	31 5/8	AbtLb s	.84	1.6	23	11573	54 7/8	51 1/4	53 7/8	+3/8
32	25	AccoWd	.62	2.2	16	309	28 7/8	28 1/2	28 5/8	+1/8
14 3/8	9	AcmeC	.40	3.4		601	12 3/8	11	11 5/8	-1/2
9 1/4	6 7/8	AcmeE	.32b	4.2	26	17	7 3/4	7 5/8	7 5/8	-3/8
23 7/8	17 1/2	AdaEx	3.42e	16.		191	21 1/4	20 1/2	20 3/4	-1/4
16 5/8	9 3/4	AdmMl	e			80	15 3/4	14 3/4	15 1/4	+1/2
20 3/8	12 1/8	AdvSys	.62t	3.4	15	153	19 1/4	18 1/2	18 1/2	-7/8
32 7/8	12 7/8	AMD				5333	18 1/8	17 1/8	17 3/8	-3/4
12 3/8	5 1/4	Adobe				98	8 3/8	7 7/8	8	-3/8
17 5/8	13 3/4	Adob pf 1.84		11.		58	17 1/4	16 7/8	17	-1/8
20 3/8	16 3/8	Adob pf 2.40		12.		163	20 1/4	20	20 1/4	
18 3/8	11 1/2	Advest	.12a	.9	10	796	13 7/8	13	13 1/8	-1/2
66 3/4	52 3/4	AetnLf	2.64	4.3	9	5292	62 3/4	61 3/8	61 5/8	-3/8
54 5/8	51 1/8	AetL pf	3.94e	7.5		115	52 5/8	52 5/8	52 5/8	-1/8
84	35 1/4	AflPb s	.44	.6	39	119	81	79 3/4	80	
42 1/4	17 5/8	AflPb wi				9	40 1/2	40	40 1/2	+1/2
28 3/4	18 1/2	Ahmns	.46	2.1	7	2422	23	21 1/2	21 7/8	+1/4
5 3/4	2 7/8	Aileen				177	4 1/4	3 7/8	4 1/8	

Continued on Page 31

NYSE COMPOSITE CLOSING PRICES

Continued from Page 30

12 Month High	Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close	Ch'ge Prev. Close
		X Y Z								
72¾	48⅝	Xerox	3	4.5	15	12525	69½	66½	67¼	−½
58¼	55	Xerox pf5.45		9.7		10	56⅝	56⅛	56⅜	
28¾	21⅜	XTRA	.64	2.4		89	27⅛	26¾	26¾	−⅛
19	13½	Yorkin n				360	18⅝	17⅞	18¼	+⅝
7⅝	2¼	Zapata				442	3⅝	3½	3½	
43⅞	20¾	Zayre s	.32	1.3	18	5884	25	23⅝	25	−⅞
17	9¼	Zemex	.40	3.4	18	4	12	11¾	11¾	
29⅞	17⅞	ZenithE				3352	25⅞	24	24	−1¼
18¼	8	ZenLb s			53	1295	8⅞	8½	8½	−¼
22⅝	12⅝	Zero s	.36	2.1	18	221	18	17⅝	17⅝	−⅜
45¾	32¾	Zurnin	1.32	3.2	16	262	42½	41½	41¾	−¼
10⅝	8¾	Zweig	n.10e	1.1		1451	9⅞	9⅝	9⅝	−¼

Sales figures are unofficial. Yearly highs and lows reflect the previous 52 weeks plus the current week, but not the latest trading day. Where a split or stock dividend amounting to 25 per cent or more has been paid, the year's high-low range and dividend are shown for the new stock only. Unless otherwise noted, rates of dividends are annual disbursements based on the latest declaration.

a-dividend also extra(s). b-annual rate of dividend plus stock dividend. c-liquidating dividend. cld-called. d-new yearly low. e-dividend declared or paid in preceding 12 months. g-dividend in Canadian funds, subject to 15% non-residence tax. i-dividend declared after split-up or stock dividend. j-dividend paid this year, omitted, deferred, or no action taken at latest dividend meeting. k-dividend declared or paid this year, an accumulative issue with dividends in arrears. n-new issue in the past 52 weeks. The high-low range begins with the start of trading. nd-next day delivery. P/E-price-earnings ratio. r-dividend declared or paid in preceding 12 months, plus stock dividend. s-stock split. Dividends begin with date of split. sls – sales. t-dividend paid in stock in preceding 12 months, estimated cash value on ex-dividend or ex-distribution date. u-new yearly high. v-trading halted. vi-in bankruptcy or receivership or being reorganised under the Bankruptcy Act, or securities assumed by such companies. wd-distributed. wi-when issued. ww-with warrants. x-ex-dividend or ex-rights. xdis-ex-distribution. xw-without warrants. y-ex-dividend and sales in full. yld-yield. z-sales in full.

AMEX COMPOSITE CLOSING PRICES

Closing prices, January 23

OVER-THE-COUNTER

Nasdaq national market, closing prices January 23

Continued on Page 29

CURRENCIES, MONEY & CAPITAL MARKETS

FOREIGN EXCHANGES

Japan may be looking for too much

BY COLIN MILLHAM

JAPAN APPEARS to believe it has an agreement with the US to stabilise the foreign exchange market, but the market is extremely sceptical and has strong doubts about the present Japanese attitude.

Mr Satoshi Sumita, Governor of the Bank of Japan, said he expects the Washington meeting between Mr Kiichi Miyazawa, Japanese Finance Minister, and Mr James Baker, US Treasury Secretary, will lead to currency stability. But he added that the central bank does not plan to take further measures to relax credit for the time being. Earlier this month the Japanese trade surplus for December of $8.7bn took the surplus up to $82.7bn for 1986, which was nearly 50 per cent higher than the previous year. The surplus with the US last year has been estimated at $50bn.

Market doubts centre on the fact that Japan has indicated it expects to see the dollar stabilise, while Tokyo interest rates will remain at their present level and the Japanese trade surplus is a major cause of friction with the US, and threatens to bring about protectionist legislation in Congress.

The dollar touched a record low against the yen last week, and at one time traded below Y150. Mr Miyazawa's visit to Washington led to a limited recovery, but underlying sentiment remained bearish.

A major test will occur at the end of this week, when the US trade figures for December are published. The market was shocked at the year-end by a record US trade deficit of $19.22bn in November, which was about $7bn above expectations.

US officials have since indicated that no great improvement can be expected in the December figure.

Money Market Services has forecast a December deficit of $15bn, but in the present climate this would be regarded as encouraging, and may even reduce the downward pressure on the dollar. Figures of over $20bn have been suggested.

The trade position has diminished hopes of rising economic growth in the US. Third quarter Gross National Product growth was 2.8 per cent, and it was generally expected the fourth quarter figure would be little changed. The disappointing rise of 1.7 per cent tended to underline fears about the impact of the trade deficit, and contributed to the dollar's decline last Thursday.

The weakness of the dollar prompted a call from Mr Mark Eyskens, Belgian Finance Minister, for a meeting of Group of Five Ministers. He suggested this should be aimed at controlling the "brutal" fall of the dollar.

But Mr Gerhard Stoltenberg, West German Finance Minister, said no great expectations should be attached to a meeting, if one were to take place. He added that no such G-5 meeting was planned.

The market expects the dollar to continue its slide. The view of the US Congress should be of interest to Japanese officials looking for a period of stability. Mr Lloyd Bentsen, chairman of the US Senate Finance Committee, said he would like to see the dollar fall to around Y120.

In spite of Mr Sumita's denial, dealers are expecting Japan to follow West Germany with a discount rate cut. They also see little prospect of the US Federal Reserve joining the Bank of Japan in co-ordinated foreign exchange intervention, unless there has been a far reaching commitment by Mr Miyazawa to speed growth and encourage imports into Japan.

£ IN NEW YORK

Jan 23	Close	Previous Close
£ Spot	1.5260-1.5270	1.5290-1.5300
1 month	0.65-0.64 pm	0.60-0.65 pm
3 months	1.79-1.76 pm	1.79-1.77 pm
12 months	6.27-6.17 pm	6.25-6.15 pm

Forward premiums and discounts apply to the U.S. dollar.

STERLING INDEX

	Jan. 23	Previous
8.30 am	68.5	69.3
9.00 am	68.6	69.3
10.00 am	68.6	69.3
11.00 am	68.9	69.3
Noon	68.8	69.2
1.00 pm	68.8	69.2
2.00 pm	68.9	69.2
3.00 pm	68.9	69.1
4.00 pm	68.9	69.1

CURRENCY MOVEMENTS

January 23	Bank of England Index	Morgan Guaranty Changes %
Sterling	68.9	−25.3
U.S. Dollar	104.3	−2.5
Canadian Dollar	76.9	−12.0
Austrian Schilling	139.6	+10.7
Belgian Franc	100.6	−3.7
Danish Krone	93.8	+4.5
Deutsche Mark	148.6	+22.8
Swiss Franc	172.1	+21.9
Guilder	135.9	+15.3
French Franc	72.2	−12.3
Lira	48.6	−16.0
Yen	210.1	+57.1

Morgan Guaranty changes: average 1980-1982=100. Bank of England Index (Base average 1975=100).

CURRENCY RATES

Jan. 23	Bank rate %	Special Drawing Rights	European Currency Unit
Sterling	—	N/A	0.742511
U.S. Dollar	5.5	1.2664	1.13456
Canadian $	8.20	•	1.54322
[illegible]	[illegible]	[illegible]	[illegible]

*CS/SDR rate for Jan. 21; 1.70202

OTHER CURRENCIES

Jan. 23	£	$
[illegible]	[illegible]	[illegible]

FORWARD RATES AGAINST STERLING

	Spot	1 mth.	3 mths.	6 mths.	12 mths.
US Dollar	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
D-mark	2.7800	2.7639	2.7355	2.6956	2.6224
French Fr.	9.2825	9.2616	9.2309	9.1928	9.1205
Swiss Fr.	2.3400	2.3246	2.2983	2.2612	2.1946
Yen	233.00	231.60	229.15	225.60	219.06

EMS EUROPEAN CURRENCY UNIT RATES

	Ecu central rates	Currency amounts against Ecu January 23	% change from central rate	% change adjusted for divergence	Divergence limit %
Belgian Franc	42.4582	42.7700	+0.73	+0.73	±1.5344
Danish Krone	7.85212	7.81369	−0.49	−0.49	±1.6404
German D-Mark	2.05853	2.06035	+0.09	+0.09	±1.0981
French Franc	6.90403	6.88676	−0.25	−0.25	±1.3674
Dutch Guilder	2.31943	2.32313	+0.16	+0.16	±1.5012
Irish Punt	0.768411	0.776562	+1.06	+1.06	±1.6684
Italian Lira	1483.58	1466.41	−1.16	−1.16	±4.0752

Changes are for Ecu, therefore positive change denotes a weak currency. Adjustment calculated by Financial Times.

EXCHANGE CROSS RATES

Jan. 23	£	$	DM	YEN	F Fr.	S Fr.	H Fl.	Lira	C $	B Fr.
£	1.	1.523	2.780	233.0	9.283	2.340	3.135	1979.	2.071	57.85
$	0.657	1.	1.826	153.1	6.095	1.537	2.059	1296.	1.360	38.00
DM	0.360	0.548	1.	83.81	3.339	0.842	1.128	709.7	0.745	20.81
YEN	4.292	6.536	11.93	1000.	39.84	10.04	13.45	8468.	8.888	248.3
F Fr.	1.077	1.641	2.995	251.0	10.	2.521	3.377	2126.	2.231	62.32
S Fr.	0.427	0.651	1.188	99.57	3.967	1.	1.340	843.2	0.885	24.72
H Fl.	0.319	0.486	0.887	74.32	2.961	0.746	1.	629.3	0.661	18.45
Lira	0.507	0.772	1.409	118.1	4.705	1.186	1.589	1000.	1.050	29.32
C $	0.483	0.735	1.342	112.5	4.482	1.130	1.514	952.7	1.	27.93
B Fr.	1.729	2.633	4.806	402.8	16.05	4.045	5.419	3411.	3.580	100.

Yen per 1,000: French Fr per 10: Lira per 1,000: Belgian Fr per 100.

EURO-CURRENCY INTEREST RATES

Jan. 23	Short term	7 Days' notice	One Month	Three Months	Six Months	One Year
Sterling	11¼-11⅜	11¼-11⅜	11 3/16-11¼	11-11 1/16	10¾-10⅞	10 11/16-10 13/16
U.S. Dollar	5 13/16-6 1/16	5 15/16-6 1/16	6-6⅛	6-6⅛	6-6⅛	6 1/16-6 3/16
Can. Dollar	7⅝-7⅞	7⅝-7⅞	7⅝-7⅞	7½-7¾	7 11/16-7 13/16	7 11/16-7 13/16
D. Guilder	5⅜-5⅝	5½-5⅝	[illegible]	[illegible]	[illegible]	[illegible]
Sw. Franc	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Deutschmark	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Fr. Franc	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Italian Lira	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
B. Fr. (Fin)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
B. Fr. (Con)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Yen	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
D. Krone	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Asian $ (Sing)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

POUND SPOT—FORWARD AGAINST THE POUND

Jan. 23	Day's spread	Close	One month	% p.a.	Three months	% p.a.
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

DOLLAR SPOT—FORWARD AGAINST THE DOLLAR

Jan. 23	Day's spread	Close	One month	% p.a.	Three months	% p.a.
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Switzerland	1.5205-1.5425	1.5365-1.5375	0.38-0.33c pm	2.79	0.99-0.94c pm	2.53

† UK and Ireland are quoted in US currency. Forward premiums and discounts apply to the US dollar and not to the individual currency. Belgian rate is for convertible francs. Financial franc 38.40-38.50.

LIFFE £/$ OPTIONS
£25,000 (cents per £1)

Strike Price	Calls—Last Feb.	Mar.	Apr.	June	Puts—Last Feb.	Mar.	Apr.	June
1.30	22.55	22.55	—	22.55	0.00	0.00	—	0.11
1.35	17.55	17.55	—	17.55	0.00	0.01	—	0.38
1.40	12.55	12.55	12.55	12.55	0.00	0.10	0.30	1.04
1.45	7.55	7.55	7.55	7.55	0.01	0.57	1.08	2.35
1.50	2.60	3.51	3.83	4.36	0.49	1.99	2.80	4.51
1.55	0.33	1.33	1.73	2.39	3.22	4.81	5.70	7.54
1.60	0.01	0.37	0.64	1.19	7.90	8.85	9.61	11.34

Estimated volume total, Calls 4 Puts 59
Previous day's open int, Calls 1,154 Puts 1,457

LONDON SE £/$ OPTIONS
£12,500 (cents per £1)

Strike Price	Calls—Last Feb.	Mar.	April	June	Puts—Last Feb.	Mar.	April	June
1.35	—	—	—	—	—	—	—	—
1.40	2.20	2.20	2.20	2.20	0.30	0.35	0.65	1.30
1.45	7.20	7.55	7.40	7.70	0.40	0.90	1.40	2.60
1.50	3.00	3.60	3.90	4.50	1.35	2.50	3.20	4.80
1.55	0.90	1.40	1.80	2.40	4.20	5.30	6.20	7.90
1.60	0.30	0.65	0.85	1.30	8.60	9.40	—	11.70
1.65	—	—	—	—	—	—	—	—

Previous day's open int: Calls 800 Puts 173
Volume: —

PHILADELPHIA SE £/$ OPTIONS
£12,500 (cents per £1)

Strike Price	Calls—Last Feb.	Mar.	Apr.	June	Puts—Last Feb.	Mar.	Apr.	June
1.30	2.20	2.20	—	2.20	—	—	—	0.15
1.35	17.20	7.20	—	7.20	—	—	—	0.30
1.40	12.20	12.20	0.95	12.20	—	0.05	0.25	0.80
1.45	7.30	7.40	6.85	7.70	0.05	0.45	1.05	2.10
1.50	2.95	3.40	3.65	4.25	0.85	1.90	1.05	4.20
1.55	0.65	1.30	1.65	2.30	3.45	4.65	5.45	7.10
1.60	0.10	0.45	0.60	1.15	7.90	7.95	9.40	10.70

Previous day's open int: Calls 58,641 Puts 37,250
Previous day's volume. Calls 5,856 Puts 3,574

LIFFE—EURODOLLAR OPTIONS
$1m points of 100%

Strike Price	Calls—Last Mar.	June	Sept.	Dec.	Puts—Last Mar.	June	Sept.	Dec.
93.00	0.99	1.09	—	—	0.00	0.01	—	—
93.25	0.74	0.85	0.84	—	0.00	0.02	0.09	—
93.50	0.50	0.63	0.64	—	0.01	0.05	0.14	—
93.75	0.28	0.43	0.46	—	0.04	0.10	0.21	—
94.00	0.12	0.26	0.32	—	0.13	0.18	0.32	—
94.25	0.04	0.14	0.20	—	0.30	0.31	0.45	—
94.50	0.01	0.06	0.12	—	0.52	0.48	0.62	—

Previous day's open int: Calls 1,440 Puts 901
Estimated volume, Calls 155 Puts 70

LIFFE LONG GILT FUTURES OPTIONS

Strike Price	Calls—Last Mar.	June	Puts—Last Mar.	June
106	9.30	9.53	0.00	0.11
108	7.31	8.01	0.01	0.23
110	5.34	6.21	0.04	0.43
112	3.45	4.53	0.15	1.11
114	2.10	3.34	0.44	1.56
116	1.04	2.31	1.98	2.53
118	0.27	1.42	2.61	4.00
120	0.09	1.04	4.43	5.26

Estimated volume total, Calls 2,119 Puts 216
Previous day's open int, Calls 15,633 Puts 9,120

LIFFE US TREASURY BOND FUTURES OPTIONS

Strike Price	Calls—Last Mar.	June	Puts—Last Mar.	June
90	10.52	10.06	0.00	0.06
92	8.52	8.14	0.00	0.14
94	6.53	6.29	0.01	0.29
96	4.57	4.56	0.05	0.56
98	3.09	3.32	0.21	1.32
100	1.46	2.26	0.58	2.26
102	0.50	1.35	1.62	3.35
104	0.18	0.61	3.30	4.61

Estimated volume total, Calls 40 Puts 0
Previous day's open int, Calls 997 Puts 393

LIFFE FT-SE 100 INDEX FUTURES OPTIONS

Strike Price	Calls—Last Jan	Feb	Puts—Last Jan	Feb
16750	14.70	14.75	0.00	0.05
17000	12.20	12.34	0.00	0.14
17250	9.70	10.01	0.00	0.31
17500	7.20	7.84	0.00	0.64
17750	4.70	5.88	0.00	1.18
18000	2.20	4.20	0.00	2.00
18250	0.01	2.84	0.31	3.14
18500	0.00	1.82	2.80	4.62

Estimated volume total, Calls 0, Puts 21
Previous day's open int, Calls 332, Puts 146

LONDON

20-YEAR 12% NOTIONAL GILT
10% NOTIONAL SHORT GILT
THREE-MONTH STERLING
FT-SE 100 INDEX
THREE-MONTH EURODOLLAR
U.S. TREASURY BONDS 8%

	Close	High	Low	Prev.
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

IMM—STERLING $s per £
CHICAGO
U.S. TREASURY BONDS (CBT) 8%
THREE-MONTH EURODOLLAR (IMM)
U.S. TREASURY BILLS (IMM)
SWISS FRANC (IMM)
DEUTSCHE MARK (IMM)
JAPANESE YEN (IMM)

	Close	High	Low	Prev.
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

CURRENCY FUTURES

POUND—$ (FOREIGN EXCHANGE)

Spot	1-mth.	3-mth.	6-mth.	12-mth.
1.5230	1.5165	1.5063	1.4895	1.4610

MONEY MARKETS

W. German move brings little optimism

STERLING TRADED above $1.50 last week, but fell out of favour on Friday as a result of the Gallup poll showing the Labour Party in a five point lead over the Conservatives. The impact was sharp but not long lasting, as dealers reasoned that the next poll could reverse the situation, and that swings in the Government's popularity—according to opinion polls—were something the markets would have to live with during a possible general election year. Otherwise it was a reasonably encouraging week for London's financial markets.

UK clearing bank base lending rate 11 per cent since October 15

A PSBR repayment of £1.22bn in December was well above the level of forecasts, while narrowly defined M0 money supply and bank lending were in line with expectations, and M3 was better than forecast, at flat to up ¼ per cent.

According to a survey by Money Market Services, forecasters expect this week's figures to show a December UK trade deficit of £900m, and a current account shortfall of £100m. Both stockbroker James Capel and County NatWest are broadly in agreement with these figures.

The main question this week will be how much impact the cut in West Germany's discount rate will have on London rates.

Much is likely to depend on whether oil prices remain firm and sterling is not hit by either the trade figures or another public opinion poll. At the moment there is little fear of UK rates rising, but it will take good news to convince the market that a reduction is in prospect.

FT LONDON INTERBANK FIXING

(11.00 a.m. Jan. 23) 3 months U.S. dollars		6 months U.S. dollars	
bid 6 1/16	Offer 6 3/16	bid 6	Offer 6 ⅛

The fixing rates are the arithmetic means, rounded to the nearest one-sixteenth, of the bid and offered rates for $10m quoted by the market to five reference banks at 11.00 a.m. each working day. The banks are National Westminster Bank, Bank of Tokyo, Deutsche Bank, Banque Nationale de Paris and Morgan Guaranty Trust.

BANK OF ENGLAND TREASURY BILL TENDER

	Jan 23	Jan 16		Jan 23	Jan 16
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

WEEKLY CHANGE IN WORLD INTEREST RATES

	Jan. 23	change		Jan. 23	change
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

London—band 1 bills mature in up to 14 days, band 2 bills 15 to 33 days, band 3 bills 34 to 63 days and band 4 bills 64 to 91 days. Rates quoted represent Bank of England buying or selling rates with the money market. In other centres rates are generally deposit rates in the domestic money market and their respective changes during the week.

MONEY RATES

NEW YORK (4 pm)

		Treasury Bills and Bonds			
Prime rate	7½	One month	5.13	Three year	6.35
Broker loan rate	7¼	Two month	5.40	Four year	6.51
Fed. funds	5⅞	Three month	5.52	Five year	6.58
Fed. funds at intervention	[illegible]	Six month	5.56	Seven year	6.87
		One year	5.74	10 year	7.06
		Two year	[illegible]	30 year	7.33

Jan. 23	Overnight	One Month	Two Months	Three Months	Six Months	Lombard Intervention
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

LONDON MONEY RATES

Jan. 23	Overnight	7 days notice	Month	Three Months	Six Months	One Year
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

LONDON RECENT ISSUES

EQUITIES

Issue Price p	Amount Paid up	Latest Renunc. Date	1986/87 High	Low	Stock	Closing Price p	+ or −	Net Div.	Times Covered	Gross Yield	P/E Ratio
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

FIXED INTEREST STOCKS

Issue Price £	Amount Paid up	Latest Renunc. Date	1986/87 High	Low	Stock	Closing Price £	+ or −
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

"RIGHTS" OFFERS

Issue Price p	Amount Paid up	Latest Renunc. Date	1986/7 High	Low	Stock	Closing Price p	+ or −
55	F.P.	18/2	68	65	Belhaven Brewery	68	

Renunciation date usually last day for dealing free of stamp duty. [illegible]